STARVEST plc

# Annual Report

## 2012

for the year ended 30 September

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# Company information

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|---|---|
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| *Listing* | AIM Market of the London Stock Exchange (AIM)<br>Ticker: SVE<br>Traded on PLUS |
| *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 eleventh annual statement to Shareholders for the year ended 30 September 2012.

### Results for the year

In spite of the dreadful state of the market for small cap mineral exploration stocks, your Company portfolio has held up as well as might have been expected:

- investment values, determined using adjusted bid values, declined by 36%;
- we closed the year with a loss before tax of £1.03m, £0.75m after tax.

On a brighter note:

- we declared a dividend of 0.5 pence per share which, when added to the interim dividend paid earlier, made a total of 0.75 pence per share for 2011;
- we continue to value the investments on a conservative basis as fully described later in the report;
- we have no debt, but a bank overdraft facility only;
- we have made no sales during the year but have added to our investment in four holdings and made a new investment in Nordic Energy plc, expected to be admitted to PLUS-SX shortly; and
- we believe we are in a strong position to benefit from the upturn in markets which must surely come.

### Trading portfolio valuation

When reporting on previous years, I drew attention to the continuing adverse conditions in our chosen market for early stage mineral exploration stocks. The year to September 2012 has been particularly tough with a steady decline in market prices. However, we remain supportive of our investee companies, nine of which now constitute our key portfolio to which we have recently added a tenth with a combined value in excess of £3m.

Following these challenges, we continue to value our portfolio investments conservatively at the lower of cost or bid price or lower directors' valuation where we believe those facts of which we are aware cast doubt on the market prices or where the Company's interest is of such a size as to inhibit selling into a depressed market. This cautious approach has proved to be appropriate in these difficult times; these discounts total £354,000 (2011: £605,000).

A detailed review of the portfolio companies follows from page 6. Whilst the portfolio contains investments in companies that have made real progress during the year, there are many, particularly smaller companies, that have struggled for one or more reasons. Raising new finance, which is essential to progress in any mineral exploration business, has undoubtedly been a challenge for most; it has had the effect of driving market prices lower, hence the decline in values.

Our commentary focuses on the ten companies that constitute 85% by value of the portfolio, including the newly acquired Nordic Energy, but does not exclude others which may well rebound; we remain resolved to allow our investments time to mature; most certainly this proved to be appropriate with the companies for which a takeover offer was received in previous years.

The key performance indicators are set out below.

**Company statistics**

| | **30 September 2012 at BID values as adjusted** | 30 September 2011 at BID values as adjusted | **Change %** |
|---|---|---|---|
| • Trading portfolio value | **£3.51m** | £5.47m | **-36%** |
| • Company asset value net of debt | **£3.66m** | £6.62m | **-45%** |
| • Net asset value per share | **9.86p** | 17.57p | **-44%** |
| • Closing share price | **6.5p** | 13.0p | **-50%** |
| • Share price discount to net asset value | **34%** | 26% | |
| • Market capitalisation | **£2.41m** | £4.77m | **-50%** |

These values include unrealised gains on elements of the trading portfolio that are not reflected in the financial statements.

Since the year end values have increased by 10%; as at the close of business on 19 October 2012, the net asset value was £4.04m, with an increased share price discount to net asset value of 40%.

**Review of the current market**

There can be no doubt that the last year has been tough for most of our investee companies. All have early stage development projects so need to raise new funds to continue with their exploration programmes, inevitably they have to accept a discount to the then current market price if they wish to issue new equity with the consequence that the lower issue price has become the base price; the more issues that a company has made, the lower the price.

Against such a background, most will struggle until they achieve an eye-catching breakthrough of some description. However, that has not always been enough to demand the much sought after re-rating. It is clear that those private investors who had been so supportive in earlier years have taken fright, or at best are sitting on their hands awaiting a recognisable upturn in World-wide economic fortunes and many institutional investors have no appetite for small early stage projects.

Of our major holdings, five are focused on gold. The expectation is that in the current climate the gold price will continue to rise thus increasing the values of these investments, one of which is expected to commence dividend payments soon.

Another two have a strong focus on iron ore, the demand for which is likely to increase as the economies of third world countries expand; another two are developing new sources of other basic commodities essential if the standard of living of the populations in developing countries is to improve as we wish and expect. The tenth and latest is searching for oil.

Patience is the key as we await a recovery.

**Dividends**

The Board wishes to share the benefits of any substantial profit with all Shareholders and so last year recommended the payment of a final dividend of 0.5 pence per share making a total of 0.75 pence for the full year. This was equivalent to a yield of 7% on the closing price on 21 October 2011.

The Board will not be recommending the payment of a dividend for the current year but will keep the matter under review.

**Investment policy**

The Company investment policy is reproduced on page 5 of this report and made available on its website, www.starvest.co.uk. In the past investments were predominantly in early stage ventures; now where funds are available your Company may be looking either to support existing investee companies or take positions in selected later stage ventures where mineral resources have been confirmed and where shorter term returns might be expected.

**Shareholder information**

The Company's shares are traded on AIM and PLUS-SX.

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.

**Annual general meeting**

We will hold our annual general meeting at 3.00 pm on Monday 10 December 2012 at St Stephen's Club, Queen Anne Gate, London SW1 when we look forward to meeting those Shareholders able to attend.

R Bruce Rowan
*Chairman & Chief Executive*

25 October 2012

# Investing policy statement

### About us

The Board has managed the Company as an investment company since January 2002.

Collectively, the Board has a wealth of experience over many years of investing in small company new issues and pre-IPO opportunities in the natural resources and mineral exploration sectors.

### Company objective

The Company is established as a source of early stage finance to fledgling businesses, to maximise the capital value of the Company and to generate benefits for Shareholders in the form of capital growth and modest dividends.

### Investing strategy

Whilst the Company has no exclusive commitment to the natural resources sector, the Board sees this as having considerable growth potential for the foreseeable future. Historically, investments were generally made immediately prior to an initial public offering, at IPO on the AIM or PLUS markets and in the aftermarket. As the nature of the market has changed since 2008, it is more likely that the future investment portfolio will include a spread of up to forty companies that generally have moved beyond the IPO stage but remain in the early stages of identifying a commercial resource and/or moving towards development with the appropriate finance.

Initial investments are for varying amounts but usually in the range of £100,000 - £300,000. These companies are invariably not generating cash, rather they have a constant requirement to raise new equity cash in order to continue exploration and development. Therefore after appropriate due diligence, the Company may provide further funding support and make later market purchases so that the total investment may be greater than £300,000.

The business is inherently high risk and of a cyclical nature dependent upon fluctuations in world economic activity which impacts on the demand for minerals. However, it offers the investor a spread of investments in an exciting sector which the Board believes will continue to offer the potential of significant returns for the foreseeable future.

The investee companies, being small, almost invariably lack share market liquidity, even if they are quoted on AIM, PLUS, ASX, TSX or TSX-V. Therefore, in the early years it is rarely possible to sell an investment at the quoted market price with the result that extreme patience is required whilst the investee company develops and ultimately attracts market interest. If and when an explorer finds a large exploitable resource, it may become the object of a third party bid, or otherwise become a much larger entity; either way an opportunity to realise cash is expected to follow.

Of the thirty to forty investments held at any one time, it is expected that more than five will prove to be ‘winners’; from half of the remainder we may expect to see modest share price improvements. Overall, the expectation is that in time Shareholder returns will be acceptable if not substantial.

Accordingly, the Board is unable to give any estimate of the quantum or timing of returns. That stated, when profits have been realised and adequate cash is available, it is the intention of the Board to recommend the distribution of up to half the profits realised.

The Company currently has investments in the following companies which themselves are investment companies: Equity Resources plc, Guild Acquisitions plc; Addworth plc and International Mining & Infrastructure Corporation plc.

The Company takes no part in the active management of investee companies, although directors of the Company are also non-executive directors on the boards of seven such companies, with one director being the executive chairman of an eighth.

# Review of trading portfolio

**Introduction**

During the year to 30 September 2012, the portfolio comprised interests in the companies commented on below.

The tough trading and fundraising conditions of the past two years have taken a toll on some of the businesses in which Starvest is invested to such an extent that as at 30 September 2012:

- ten portfolio companies accounted for 85% of the portfolio value; all of these companies are mineral exploration ventures on which we comment first; in four cases, the year-end valuation exceeds original cost;
- the next five investments account for a further 10% of the portfolio value;
- the remainder, amounting to 5%, include both mineral exploration ventures as well as other businesses which are all valued below cost.

**Transactions**

During the year there were no sales.

Additional investments were made in the following mineral exploration ventures: **Alba Mineral Resources plc, Ariana Resources plc, Greatland Gold plc and Equity Resources plc.** A new investment was made in support of **Nordic Energy plc**.

**Mineral exploration ventures accounting for 85% of portfolio value:**

**Ariana Resources plc**

*- AIM ticker: AAU*
www.arianaresources.com

Ariana Resources is a gold exploration and development company focused on epithermal gold-silver and porphyry copper-gold deposits in Turkey, which has now become Europe's largest gold producing country and is highly prospective for multi-million oz discoveries. Ariana's primary interest is the Red Rabbit Gold-Silver Project in the Sindirgi Gold Corridor in western Turkey, with a compliant resource estimate of 448,000 oz of gold equivalent, operated under a joint venture with local firm Proccea Construction, becoming 50:50 on production start-up expected by late 2013. Ariana's further exploration drilling operations in the Kiziltepe sector have led to intercept findings raising greater output expectations.

Meanwhile Ariana has also focused exploration effort on north-east Turkey under a joint venture with Canadian Eldorado Gold, and in the south-east with a 12.5% equity stake in Tigris Resources. Eldorado's intentions regarding the Salinhas project have been confirmed with the announced start-up of a 4,000m drilling programme to complete in-fill drilling of the known gold mineralisation and to test down-dip extensions; Eldorado will fund $1.77 million for the joint venture in the current operating year. Ariana has also won a ten year operational licence for its exploration-stage Kizilcukur project to the west of the Red Rabbit field, and where it plans to commence a 1,500m drilling programme in the second quarter of 2013.

These new campaigns are seen as to Ariana's strategy to expand its resource inventory to one million oz of gold equivalent. While first gold production from Red Rabbit has been deferred to 2013 due to changes in Turkish environmental regulations, this project remains economically robust and, coupled with the potential of further exploration successes against a background of early production and the strong Turkish growth economy favouring mining developments, Ariana's progress can be soon expected to belie its present lowly market rating.

**Beowulf Mining plc**

*- AIM ticker: BEM*
www.beowulfmining.com

Dual-listed on the AIM and the Swedish Aktietorget markets, Beowulf Mining is a mineral exploration company which owns a wide portfolio of resources in Northern Sweden operated under 18 exploration licences. Its interests range from early-stage projects to those that have had considerable work already done on them. Beowulf aims to increase the quantity and quality of its resource portfolio and thereby the value of these assets and of the company. Its focus in the past year has been on increasing and accelerating its exploration activities with particular emphasis on establishing the further potential of its significant Kallak iron ore resource. A maiden independent JORC compliant inferred resource estimate of 131.6 Mt of iron ore grading at 28% Fe was established for Kallak North earlier in the year, thereby doubling Beowulf's past inferred estimate of 140 Mt grading at 39.1% Fe for its Ruoutevare deposit. Further drilling this year for Kallak North was delayed by extreme weather conditions and then by disputes with local Saami reindeer herders, but has now been completed and an increased inferred resource figure can be expected before the year-end. Meanwhile, a test mining application has been approved. Further drilling is now planned for Kallak South to continue into late 2013 as well as a resumption of drilling on the Ballek copper/gold project, all of which costs will be covered by Beowulf's existing cash resources.

Despite the promise of its high grade iron mineralisation proven at great depths (one hole mineralised over a 330m intercept at 31% Fe with a highest intercept over 54% Fe) Beowulf's market valuation has fluctuated with the vagaries of the short-term iron ore price and of the temporarily reducing demand for supplies of the commodity from industrialised nations, with the market failing to recognise the inherent strength and diversity of Beowulf's resource portfolio, with its copper, gold, uranium and molybdenum interests, apart from its significant iron ore resource.

**Centamin plc**

*– LSE ticker: CEY; TSX ticker: CEE*
www.centamin.com.au

The interest in Centamin was acquired as a result of its successful take-over in July 2011 of Sheba Exploration, the gold exploration company operating in Ethiopia. This was seen as a move by Centamin to diversify away from its role of sole major gold producer in Egypt at a time when civilian unrest was on the increase. With the political uncertainties this created, Centamin faced labour problems at its flagship Sukari mine situated near the Red Sea and though these were swiftly resolved, the market took fright on the announcement of a below forecast first quarter production figure of 49,000 oz due to strike action. This was later corrected with a record 67,000 oz second quarter output, but labour problems resurfaced to reduce the third quarter result to 61,000 oz. Management believes the 250,000 oz target for the full year remains achievable with a record fourth quarter outcome expected, thus giving an increase of some 25% on 2011.

Ambitious plans see 350,000 oz as a 2013 target and 450,000 oz for 2014, while hopes of a first dividend pay-out for end 2012 have caused the shares to rally. This boost in future production follows a major US$280 million expansion plan in progress at Sukari, due for completion in early 2013; with US$140 million of cash internally generated over 9 months of trading, the expansion project should be entirely self-financed. Sukari contains an estimated 15 million oz of gold, mostly open-pittable, giving an average grade of 1.1 grammes of gold per tonne of ore.

While production costs are rising to over US$700 an ounce, the promising outlook for a rising gold price makes Centamin an interesting hedge prospect, albeit dependent on general civil disturbances in Egypt and Sukari labour unrest being resolved, and a favourable fiscal regime remaining unchanged from a present 3% royalty and a 50:50 profits split with Government, and that only after recovery of full capital expenditure.

**Greatland Gold plc**

*- AIM ticker: GGP*
www.greatlandgold.com

Greatland Gold is focused on gold exploration and development with projects in Western Australia and Tasmania which have seen increasing levels of exploration activity in the past year. Encouragingly, it continues to receive third party enquiries for possible joint ventures across its licences, leading management to believe that further value remains to be unlocked therefrom.

The Western Australia Ernest Giles project, consisting of three contiguous tenements covering 948 sq km, saw drilling carried out on targets across the licensed areas, with initial results from early stage drilling. In the southern licence, drilling showed mineralisation occurring at shallower depths than expected. The rocks intersected included typical greenstone sequence of basalt and banded iron formation with quartz veining and sulphide mineralisation at 10%. Rocks showed visible alteration and structural deformation. The highest mineralised intercept was 1m at 1.28 g/t gold from 149m. Repeat samples confirm the tenor of the 1m samples to be correct. While this result is modest, the Company's exploration model has now been confirmed over a potential strike length of at least 500m, and management is confident that Ernest Giles will deliver.

The Firetower project, consisting of four contiguous tenements covering an area of 265sq km located in northern Tasmania, has an initial JORC inferred resource of 90,000 oz of gold. Following last year's farm-in agreement with Unity Mining, by which they can earn up to 75% of the project for an expenditure of up to A$7 million over a five and a half year period, diamond drilling commenced in September. Meanwhile the Warrentina project, which consists of several historic goldfields over 30km of strike, has recorded single metre mineralised intercepts up to 103 g/t gold at the Derby North area at the centre of the site, with additional drilling planned by the year-end.

With cash in hand of £717,000 at end June, the successes of the past year and anticipated further progress in its projects to come, management is confident that real value is there to be unlocked from the portfolio.

**KEFI Minerals plc**

*- AIM ticker: KEFI*
www.kefi-minerals.com

KEFI Minerals is a dynamic gold and copper exploration company focused on exploring for world-class mineral deposits in the well-endowed and under-explored Tethyan Mineral Belt of Turkey and in the prolifically mineralised and incredibly diverse geological structure of the Arabian Shield which makes up almost half of the Kingdom of Saudi Arabia.

In Turkey KEFI has six exploration projects with its drilling having returned intercepts of up to 2.85 m at 16.05g/t gold and 54.8 g/t silver at Derinin Tepe and up to 2m at 20.9g/t gold and 47.4 g/t silver at Artvin.

In Saudi Arabia where KEFI is operator in a 40:60 joint venture (G & M) with a leading Saudi construction and investment group, ARTAR, G & M has been granted so far 4 exploration licences with a further 19 currently under application. At the Selim North prospect gold-bearing dykes have been defined at Camel Hill with trench results at 17mt 3.4 g/t gold: while at the Jibal Qutman prospect rock chip channel samples of up to 4m at 9.36g/t g/t gold and 93 g/t silver were returned and trench sampling gave best results of 3.2m at 27.7 g/t gold and 262g/t silver. Diamond drilling is now proceeding at both prospects.

The Arabian Shield is still under-explored and offers excellent potential for discovery of major gold and copper mines. Kefi is well placed to progress further effective exploration programmes that aim to fast-track gold discovery and eventual development of new mines.

**Nordic Energy plc**

*– to be admitted to PLUS-SX*
www.nordicenergyplc.com

Nordic, Starvest's most recent start-up investment, is set up as an investment vehicle seeking opportunities in the oil and gas exploration and production sector in the North Sea and Northern Europe with an initial focus on low cost entry situations in the Danish, Norwegian and

Dutch offshore sectors, a region in which its directors have significant experience. For Starvest this was seen as a good opportunity in which to use its scarce financial resources to expand on its interests in a sector which it sees as likely to deliver returns in the short to medium term.

Nordic is expecting to be admitted to PLUS-SX during October 2012 having raised £444,000 in addition to the founders' subscriptions; Starvest was one such founder shareholder.

Oracle Coalfields PLC

**Oracle Coalfields plc**

*- PLUS ticker: ORCP*
www.oraclecoalfields.com

Oracle Coalfield's, as the first developer of coal mining in Pakistan, switch from PLUS Markets to AIM in April 2011 has since met with a disappointing reluctance on the part of UK investors to recognise the significant progress it has subsequently achieved in fulfilling the commitments made and expectations raised in support of its AIM admission. As a result of current restrictive capital markets, its share price has seriously faltered, making it difficult for Oracle to raise additional modest funding from UK sources to cover minor final exploration and site infrastructure projects required to be undertaken before commencement of its major mine development work. Recourse to non-UK sources of finance is therefore under consideration as a precursor to raising the main development financing in early 2013.

Meanwhile in Pakistan, Oracle's project is enthusiastically supported by the Government who are anxious to appease mounting civil unrest caused by severe shortages of electricity which is also crippling industry at large. With indigenous oil and gas production in decline and hydro power at its limit it is easy to see why as a matter of urgent economic necessity, the earliest production of local coal has become vital, with ultimate replacement of all coal imports.

Against this background Oracle's role of being first producer of Thar coal with a lead of some 2 years over any potential rival is clearly beneficial but also carries a heavy onus of responsibility. Granted a renewable mining licence of 30 years duration, Oracle's Block VI covering 66 sq km of the Thar Coalfield has an assessed total resource of 1.4 billion tonnes; the initial development phase will cover 20 sq km with a JORC assessed resource of 529 million wet tonnes and a proven reserve of 113 mt. Initial development plans envisage production starting by late 2014 with 1 mt projected for 2015, reaching 2.5 mt by 2016.

Oracle's current market capitalisation is therefore infinitesimal when compared with the enormity of its project. The management requires ingenuity to raise its profile to gain the financial support necessary for the mine development programme.

REGENCYMINES

**Regency Mines plc**

*- AIM ticker: RGM*
www.regency-mines.com

Regency Mines is focused on investing in the mining and minerals sector, directly and indirectly, and to explore for nickel, base metals and gold in Western Australia, and copper and gold in Queensland. Its deal-making and investment arm has assisted other companies in listing on AIM, including Red Rock Resources plc which was established by Regency with a portfolio of iron and manganese properties. Regency also holds strategic stakes in AIM-listed Oracle Coalfields plc and Alba Mineral Resources plc, and has recently taken up an option to buy Sudanese agrochemical assets.

Regency's exploration arm continues to explore assets in Western Australia and Queensland where additional ground has been acquired and mineral prospects have been extended to include titanium, graphite, rare earths and uranium. But its principal asset is the 50:50 joint venture with Direct Nickel Ltd (DNI) in its emerging world-class Mambare nickel-cobalt project in Papua New Guinea; it is also a significant shareholder in DNI which owns a laterite nickel treatment technology at pilot plant stage.

Regency's recent announcement of its Mambare resource, 162.6 mt nickel grading 0.94% with 1.53mt of contained nickel, has failed undeservedly to arouse appropriate interest in the stock market, especially with the prospect of further results to come from future drilling. While present financial constraints may prevent accelerated advancement of its key projects, Regency will fund itself through the equity markets and opportune sales of assets.

Once investor buying interest returns to rally the market, Mambare's potential as a low-cost nickel producer with a deposit capable of supporting long-term production should trigger an early re-rating of the shares.

**Red Rock Resources plc**

- *AIM ticker: RRR*
www.rrrplc.com

Red Rock is a mineral exploration and development company focusing on iron ore, gold and manganese operations in Colombia, Kenya and Greenland. It creates shareholder value by de-risking early stage mineral exploration projects and by spinning them off to crystallise the added value created. This strategy was successfully applied to its iron ore and manganese interests in Western Australia that now form part of ASX-listed Jupiter Mines Ltd (JML) developed with Pallinghurst Resources as a steel feed platform; JML has recently announced the first manganese mined from its Tshipi Borwa mine in South Africa. The development of JML has created the solid financial base for Red Rock taking on its exploration investments elsewhere; these are:

- In Colombia, Red Rock's activities concern gold and centre on a 50.002% interest in Four Points Mining which owns the re-opened El Limon mine, currently under offer.
- In Kenya, the Migori Project has seen the conclusion of 15,000 metres of infill resource drilling over its four resource prospects with upgrades expected of resource estimates; an earlier JORC compliant indicated and inferred estimate exceeded 1m ozs, while a scoping study has given a positive conclusion to a tailings plant proposal.
- In north-west Greenland, initial results from a maiden drill season in the Melville Bugt high grade shipping iron ore project, close to deep water, had twenty-seven holes completed with 40% of all metres drilled intersecting significant magnetite BIF intersections. A mineral resource estimate is awaited which is expected to result in the company increasing its stake from 25% to 60%.

Red Rock has consistently created value for its shareholders by acting as a successful explorer and asset trader, a fact not currently recognised in its present lowly share rating, and in similar ratings given to its principal investee companies.

**Sunrise Resources plc**

- *AIM ticker: SRES*
www.sunriseresourcesplc.com

Sunrise Resources is a diversified mineral exploration and development specialist seeking to develop profitable mining operations to sustain its wider exploration efforts and to create value for its shareholders through discovery of world-class deposits. Whereas in the past its former name of Sunrise Diamonds reflected a strong concentration on diamond exploration, a marked change in its interests and their geographical spread around the World readily explains the name change. Its diamond projects in Finland have been put on hold. With long government delays in processing Canadian licence applications, and with disappointing results from a second follow-up drill programme led management to surrender its option to purchase the Canadian Long Lake gold project and its adjacent copper platinum group project which would have required significant further exploration expenditure in the run-in to the option expiry date.

The diversification of Sunrise's commodity interests into gold, base metals and industrial minerals based primarily on Canada, Ireland and Australia has come about through the company's new focus on a 100% owned barite project at Derryginagh near Bantry in south west Ireland. Sunrise sees potential for a modest scale mining operation producing high value white barite for use as industrial filler. Results of its first drilling have established high grade extensions to the local barite system and existing well below levels exploited by previous developers; the project has clear attractions. Add to this the new Cue diamond project in Western Australia where five holes have been drilled to sample the Cue 1 kimberlite and five more to test geological and geochemical targets; petrological and diamond evaluation results are awaited.

Investors have seen the Sunrise share price react positively to the prospect of a more cash-generative news-flow.

**Mineral exploration ventures accounting for 10% of portfolio value:**

### Alba Mineral Resources plc

*- AIM ticker: ALBA*
www.albamineralresources.com

Alba is a committed, technically driven explorer with a commodity focus on uranium and base metals, with a portfolio of mineral properties and interests in Mauritania and Ireland. Projects are at different stages of development ranging from early exploration targets to more advanced drill-ready projects. Alba's overall corporate and exploration strategy is one of developing a portfolio of well-researched, promising and prospective exploration properties that will be pursued further, either in the Company's own right or in conjunction with other parties. To create and realise value, projects may be disposed of in whole or in part, spun off into a separate company, joint ventured to include a cash consideration and/or maintaining a "net smelter return" or developed into operating mines.

Activities in the past year have been focused on securing additional funding with on-going costs having been met out of loans from directors and other related parties. Nonetheless, work has continued on the Company's 100% owned Limerick zinc-lead-silver licence as a result of the joint venture agreement with the Canadian Teck Group which undertook a complete reappraisal of all previous exploration work. Results of new drilling revealed an encouraging presence of pyrite, often indicating the presence of base metals, so drilling is continuing. Under the terms of the JV agreement, Teck has the option to earn a 75% interest in the Limerick project before forming a JV company on making payments totalling US$1m up to end June 2015.

In Mauritania, the uranium exploration permit lost almost a year previously, was reinstated by the authorities. Subject to successful fund-raising, fieldwork will recommence shortly. Alba will continue to seek new partners under joint venture arrangements.

### Equity Resources plc

*– PLUS ticker: EQRP*

Equity Resources is invested entirely in Regency Mines plc and Red Rock Resources plc, both of which are discussed above, and consequently has had a tough year. The company's recently announced results reflect the current malaise, although each of the three directors has recently exercised options in lieu of fees so as to conserve cash.

### Gippsland Limited

*- Sydney ASX ticker: GIP*
www.gippslandltd.com.au

Gippsland, the Perth-based Australian international resource company, formerly AIM-listed, has suffered a disappointing share price performance over the past year as investors viewed its interests as rather too long-term and subject to the risks of growing political unrest. Gippsland's interests are principally in the Middle East and focus on the Arabian Nubian Shield region, with a 40% home interest in the largest Australian tin project in Heemekirk Tasmania.

The development of the 44.5 million tonne Abu Dabbab tantalum/feldspar deposit, located in the Egyptian Central Desert, will result in the creation of one of the world's foremost sources of tantalum, a metal vital to the electronics and aerospace industries. The project is managed under a 50:50 partnership with an Egyptian state company. A minimum 2 million tonne mill feed rate per annum yielding 650,000lb of tantalum will give the now operating mine a 20 year life, with further ultimate back-up available from an adjacent 98 million tonne Nuweibi deposit mine also 50% owned by Gippsland.

Another 100% owned subsidiary, Nubian Resources, is involved in gold and copper prospecting in Eritrea. Doubts about Gippsland's ability to finance the development of its significant portfolio of interests, coupled with a lack of regular news releases to the market, may have served to undermine its more recent share rating.

**International Mining & Infrastructure Corporation plc**

*- AIM ticker: IMIC*
www.imicplc.com

International Mining & Infrastructure Corporation (IMIC), the Africa-centric company focused on infrastructure solutions primarily for the iron ore sector, has established a key strategic partnership with African Iron Ore Group (AIOG) to bring to the Government of Guinea a fully financed, integrated transport solution for the multi-billion dollar Simandou South iron ore project.

With West and Central African nations seeking to develop their resource potential as a means of unlocking their economic development, so the need for major infrastructure improvements to already over-stretched existing rail, port, and power facilities has become critical to ensuring access of their resources to the consumer markets of the industrialised world. Therefore, the challenge is to develop requisite infrastructure solutions as a stimulus for balanced growth and the broad-based economic empowerment of the people. And commonly this necessitates close association and involvement of development institutions as well as the assistance of consuming nations.

Against this background, IMIC saw an opportunity to become the funding partner to AIOG and to get involved in the creation and funding of the special purpose vehicles (SPVs) to carry out such infrastructure work, with Guinea being the first target area and with the involvement of substantial Chinese consortia in the Simandou project work. Presently, IMIC is the only listed route to involvement in private company AIOG and the related infrastructure potential now fast developing. IMIC has a 10% equity stake in AIOG, while AIOG in turn owns 11.9% of IMIC. IMIC intends to take equity stakes in mining companies operating in the region, a 3.9% stake having been taken in AIM-listed Afferro Mining operating in Cameroon.

**Minera IRL Limited**

*- AIM ticker: MIRL*
www.minera-irl.com

Minera is a Jersey registered company and together with its subsidiaries is a Latin American precious metals mining, development and exploration company, listed on the AIM Market, the Lima Stock Exchange, and the Toronto TSX Exchange. In Peru the company operates the Corihuarmi gold mine, has completed a pre-feasibility study on the Ollachea Project, and is exploring a number of other gold prospects. In Argentina the company has completed a feasibility study on the Don Nicolas gold project in Patagonia, and is prospecting large land package under exploration licences held in its name.

Results for the past year showed impressive advancement on all fronts and with the development projects of Ollachea and Don Nicolas starting production within the next three years, overall production should reach 170,000 oz by 2015. Add the enviable cash balance in hand end June of US$ 23 million and the conclusion must be that an excessive perception of country risk associated with Argentina could be unfairly impacting on the share price.

**The remainder accounting for 5% of the portfolio value:**

**Agricola Resources plc**

*– PLUS ticker: AGRI - suspended*
www.agricolaresources.com

Agricola Resources has withdrawn from its gold exploration activities in Morocco following a reassessment of the licence potential. There is talk of projects in New Zealand and Kazakhstan, but no certainty of outcome.

**CAP Energy Limited**

*- PLUS ticker: CAPP*
www.capenergy.co.uk

Cap Energy invests in oil and gas projects in the USA. Following a re-capitalisation and re-organisation of the business earlier this year, in which Starvest was not invited to participate, we were heavily diluted and so now have a nominal interest only.

**Carpathian Resources Limited**

*– Sydney ASX ticker: CPN - suspended*
www.carpathian.com.au

Carpathian Resources is an Australian ASX-listed oil and gas explorer and producer with a focus on Central Europe and a primary sector concentration on the Czech Republic. The company's production interests are 50% participations in the Janovice gas block in northern Moravia and the Krasna oil field.

Static trading has tended to restrict returns to the Group and a degree of diversification has occurred in its investment interests with its controlling stake taken in Singapore-based Somap International Shipping and Trading, with a principal activity of buying and selling ships for recycling, breakage or demolition, some 900 vessels having been sold since the business was originally started. The company has also entered into a strategic cooperation and advisory service contract with the Russian Gazprom Group, in particular connection with the securing of debt financing.

**Kincora Copper Limited,**

formerly Brazilian Diamonds Limited

*– Toronto TSX ticker: KCC*
www.kincoracopper.com

The interest in Kincora Copper derives from a shareholding in the former Brazilian Diamonds which was merged with private company Kincora Group and later was transformed into Kincora Copper.

TSX-listed Kincora Copper is based in Vancouver and is focused on Mongolia, home of the world-class Oyu Tolgoi copper-gold belt, and as yet underexplored and undeveloped. Kincora operates in south-east Mongoli the deposits of Bronze Fox, Tourmaline Hills, North Fox and Golden Goose prospect, together forming a highly prospective licence area.

Kincora Copper has not been as forthcoming with announcements of drilling progress and results as one might expect in view of the significance of its asset base. It continues to enjoy significant financial support from its 29% shareholder, Origo Partners, and is understood to have had adequate funds in hand to carry out a good part of its 2012 exploration programme. But realistically the day when Kincora takes on a major development partner cannot be far away.

**Kuwait Energy plc**

formerly Concorde Oil & Gas plc

www.kec.com.kw

The interest in Kuwait Energy arises from the takeover of the Luzskoye and Chikshina projects of Concorde Oil & Gas plc. After a long period of silence, it transpires that Starvest has an interest in Kuwait Energy, a Jersey registered company, and in Kuwait Energy Company KSCC, a Kuwaiti company. A London listing for Kuwait Energy is expected when it should be possible to attribute some value to the holding.

**Rare Earths and Metals plc**

formerly Lisungwe plc

*– PLUS ticker: REMP*
www.rareearthsandmetals.com

Rare Earths and Metals has made few announcements during the past year but we expect news during the next few months as the company has a 30 September year end so will be required to issue an update soon.

**Silvermere Energy plc**

*– AIM ticker: SLME*
www.silvermere-energy.com

Silvermere Energy, formerly Chalkwell Investments, has oil and gas interests in the Gulf of Mexico. Following a re-capitalisation of the business, in which Starvest was not invited to participate, we were heavily diluted and so now have a nominal interest only.

WOBURN ENERGY

**Woburn Energy plc**

*– AIM ticker: WBN*
www.woburnenergy.com.

Our investment in Woburn Energy has seen a marked upturn in its potential after a somewhat disappointing performance with the consistent losses it had reported on its Colombian activities in the past. This welcome change in its fortunes has arisen through its recent disposal for cash of its entire portfolio of Colombian beneficial oil and gas interests, and thereby settling all its local outstanding liabilities. Woburn expects that by April 2013 its receipt of the net sales settlement from its 51% owned local subsidiary LOQC will amount to US$5 million.

Woburn has no assets at this time other than this pending settlement and so is now an investing company under the AIM Rules. Following the final settlement of its outstanding loan and of other due fees and costs, Woburn will have a significant cash resource of over $3 million to pursue new investment opportunities to be sought in the oil and gas sector outside the Americas.

## Companies with other interests

**Alpha Universal Management plc**

formerly Lotus Resources plc

*– PLUS ticker: AUNP*
Alpha Universal is in business to acquire debt portfolios and other discounted assets. Following a re-capitalisation of the business, in which we were not invited to participate, Starvest was heavily diluted and so now has a nominal interest only.

GUILD ACQUISITIONS PLC

**Guild Acquisitions plc**

*– PLUS ticker: GACQ*
Guild Acquisitions is a small Isle of Man based investment company. Amongst its investments is a 19.59% interest in Equity Resources plc. Others are not disclosed in the financial statements to 31 December 2011.

MARECHALE CAPITAL

**Marechale Capital plc**

*– AIM ticker: MAC*
www.marechalecapital.com

Marechale Capital is an investment banking and corporate finance business using its established relationships and sector specialisation to raise capital and refinance high growth companies and funds in the retail, leisure, renewable energy and infrastructure sectors.

The past year saw the company moving into operating profit.

Marechale considers it now has a good pipeline of growth and capital development transactions in its chosen sectors, but remains cautious about overall market conditions affecting the operating environment of their client companies and of debt and fund-raising opportunities in general.

**In addition to the above**, Starvest has interests in the following quoted and unquoted companies, none of which are deemed to have significant value at this present time:

Addworth plc – *general investment holding company;*

Fundy Minerals Limited, *www.fundyminerals.com;*

Goliath Resources Inc – *Pink Sheets OTC ticker – GHRI;*

Treslow Limited – *a copper-nickel prospect near Armstrong in North West Ontario, Canada.*

# Board of directors

**R Bruce Rowan**
**Chairman and Chief Executive**

Bruce Rowan, who has managed the Company's operations since January 2002, is well known in London as an investor in small mineral exploration start-up ventures. In addition to his chairmanship of the Company, he is chairman of AIM quoted Tiger Resource Finance plc, of Australian ASX quoted Sunvest Corporation Limited and is a non-executive director of PLUS-SX 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 Agricola Resources plc, Beowulf Mining plc, and Oracle Coalfields plc.

**John Watkins, FCA**
**Finance Director**
**and Company Secretary**

John is a chartered accountant in practice and a non-executive director of other companies including AIM quoted investee companies Greatland Gold plc, Red Rock Resources plc and Regency Mines plc and chairman of PLUS-SX quoted Rare Earths and Metals plc and Equity Resources plc.

# Directors' report

The Directors present their twelfth annual report on the affairs of the Company, together with the financial statements for the year ended 30 September 2012.

### Principal activities and business review

Since Bruce Rowan was appointed Chief Executive on 31 January 2002, the Company's principal trading activity has been the use of his expertise to identify and, where appropriate, support small company new issues, pre IPO and ongoing fundraising opportunities with a view to realising profit from disposals as the businesses mature in the medium term.

The Company's investment policy is stated on page 5.

The Company's key performance indicators and developments during the year are given in the Chairman's statement and in the trading portfolio review, all of which form part of the Directors' report.

### Key risks and uncertainties

This business carries with it a high level of risk and uncertainty, although the rewards can be outstanding. The risk arises from the very nature of early stage mineral exploration where there can be no certainty of outcome. In addition, often there is a lack of liquidity in the Company's trading portfolio, most of which is, or in the case of pre IPO commitments is expected to be, quoted on AIM or PLUS, such that the Company may have difficulty in realising the full value in a forced sale. Accordingly, a commitment is only made after thorough research into both the management and the business of the target, both of which are closely monitored thereafter. Furthermore, the Company limits the amount of each commitment, both as to the absolute amount and percentage of the target company. Details of other financial risks and their management are given in Note 19 to the financial statements.

### Results and dividends

The Company's results are set out in the profit and loss account on page 20. The audited financial statements for the year ended 30 September 2012 are set out on pages 20 to 32.

The Directors do not recommend the payment of a dividend for the year (2011: 0.75 pence).

### Directors

The Directors who served during the year are as follows:

R Bruce Rowan

Anthony C R Scutt

John Watkins

### Substantial shareholdings

At the close of business on 30 September 2012, 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 | 10,170,000 | 25.80% |
| Barclayshare Nominees Limited | 5,303,772 | 13.46% |
| LR Nominees Limited | 1,852,417 | 4.70% |
| Mrs Diane Mary Watkins | 1,200,000 | 3.04% |

### Share capital

Following the exercise of options by two directors, a further 400,000 new Ordinary shares were issued during the year.

In accordance with the authority to purchase up to 5,850,000 Ordinary shares renewed at the 2011 annual general meeting, the Company holds 2,300,000 of its own Ordinary shares in treasury bought in previous years. These purchases were made to enhance the underlying net asset value per share given the substantial discount at which shares were traded at the time. The Directors will place a further resolution before Shareholders at the forthcoming annual general meeting so as to give themselves the opportunity to make further purchases should circumstances be favourable.

### Charitable and political donations

During the year there were no charitable or political contributions (2011: NIL)

### 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 2012, the Company's trade creditors were equal to costs incurred in 20 days (2011: 14 days).

### Post balance sheet events

There are no reportable post balance sheet events.

### Transition to International Financial Reporting Standards (IFRS)

The directors understand that the requirement to prepare financial statements in accordance with IFRS currently only applies to groups. As the Company is not part of a group it will continue to take advantage of the exemption available to AIM companies which do not prepare consolidated accounts and so defer the transition for as long as the exemption remains available.

### Auditor

A resolution to reappoint Grant Thornton UK LLP as auditor for the coming year will be proposed at the forthcoming AGM in accordance with section 481 Companies Act 2006.

### Remuneration

The remuneration of the Directors has been fixed by the Board as a whole. The Board seeks to provide appropriate reward for the skill and time commitment required so as to retain the right calibre of director without paying more than is necessary.

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

### Management incentives

Other than options issued in accordance with the 2002 and 2005 share option schemes as set out in Note 12 to the financial statements, the Company has no share purchase, share option or other management incentive scheme. During the year, options over 400,000 Ordinary shares were exercised. The 2002 scheme expired on 31 May 2012.

As required by legislation, the Company has introduced a stakeholders' pension plan for the benefit of any future employees.

### Going concern

The Company's day to day financing is from its available cash resources or via a bank overdraft and, on occasion, by the use of short term loans. The Company's formal overdraft facility was last confirmed by the bank in early 2012.

Whilst the Directors fully expect a sufficient overdraft facility to remain in place for the foreseeable future, they are confident that adequate funding can be raised as required to meet the Company's current and future liabilities without resorting to this facility. In the very unlikely event that such finance could not be raised, the Directors could raise sufficient funds by disposal of certain of its current asset trade investments, although such a 'forced' sale is to be avoided if at all possible.

For the reasons outlined above, the Directors are satisfied that the Company will be able to meet its current and future liabilities, and continue trading, for the foreseeable future and, in any event, for a period of not less than twelve months from the date of approving the financial statements. The preparation of the financial statements on a going concern basis is therefore considered to remain appropriate.

### Management of capital

The Company's objectives when managing capital are:

- to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by trading its current asset investments.

The Company sets the level of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

### 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*

25 October 2012

Company registration number: 3981468

# Statement of directors' responsibilities

**Directors' responsibilities for the financial statements**

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 each of the Directors are aware:

- there is no relevant audit information of which the Company's auditor is 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 auditor is 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.

# Independent auditor's report to the members of Starvest plc

We have audited the financial statements of Starvest plc for the year ended 30 September 2012 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Paul Creasey
*Senior Statutory Auditor*

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading

25 October 2012

# Profit and loss account
for the year ended 30 September 2012

| | Notes | **Year ended 30 September 2012 £** | Year ended 30 September 2011 £ |
|---|---|---|---|
| Operating income | | **-** | 3,788,942 |
| Direct costs | | **-** | (629,896) |
| **Gross profit** | | **-** | 3,159,046 |
| Administrative expenses | | **(199,791)** | (228,799) |
| Amounts written off trade investments | 8 | **(842,703)** | (104,724) |
| **Operating (loss)/profit** | | **(1,042,494)** | 2,825,523 |
| Interest receivable | | **10,932** | 1,877 |
| Interest payable | | **-** | (1,837) |
| **(Loss)/profit on ordinary activities before taxation** | 2 | **(1,031,562)** | 2,825,563 |
| Tax on (loss)/profit on ordinary activities | 3 | **284,044** | (762,418) |
| **(Loss)/profit on ordinary activities after taxation** | | **(747,518)** | 2,063,145 |
| | | | |
| **(Loss)/earnings per share** – basic | 6 | **(2.0) pence** | 5.6 pence |
| **(Loss)/earnings per share** – diluted | 6 | **-** | 5.1 pence |

There are no recognised gains and losses in either year other than the result for the year.

All operations are continuing.

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

# Balance sheet

as at 30 September 2012

| | Notes | **30 September 2012 £** | 30 September 2011 £ |
|---|---|---|---|
| **Current assets** | | | |
| Debtors | 7 | **310,042** | 27,710 |
| Trade investments | 8 | **3,051,056** | 3,368,759 |
| Cash at bank and in hand | | **199,036** | 1,893,536 |
| | | **3,560,134** | 5,290,005 |
| **Creditors – amounts falling due within one year** | 10 | **(46,241)** | (867,008) |
| **Net current assets** | | **3,513,893** | 4,422,997 |
| | | | |
| **Share capital and reserves** | | | |
| Called-up share capital | 11 | **394,173** | 390,173 |
| Share premium account | 13 | **2,118,396** | 2,100,396 |
| Profit and loss account | 13 | **1,001,324** | 1,932,428 |
| **Equity shareholders' funds** | 14 | **3,513,893** | 4,422,997 |

The financial statements on pages 20 to 32 were approved and authorised for issue by the Board of Directors on 25 October 2012 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 year ended 30 September 2012

| | Notes | **Year ended 30 September 2012 £** | Year ended 30 September 2011 £ |
|---|---|---|---|
| Net cash (outflow)/ inflow from operating activities | 15 | **(781,300)** | 2,317,308 |
| Returns on investment and servicing of finance: | | | |
| Interest received | | **10,932** | 1,877 |
| Interest paid | | **-** | (1,837) |
| | | **10,932** | 40 |
| Taxation (paid)/recovered | | **(762,546)** | 9,490 |
| Dividend paid | | **(183,586)** | (91,793) |
| Financing: | | | |
| Issue of new shares | | **22,000** | - |
| | | **22,000** | - |
| **(Decrease)/increase in cash in the year** | 16 | **(1,694,500)** | 2,235,045 |

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

# Notes to financial statements

for the year ended 30 September 2012

## 1 Statement of principal accounting policies

The Directors have reviewed the principal accounting policies summarised below and consider them to be the most appropriate for the Company. They have all been applied consistently throughout the year and the previous year.

### Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

### 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.

### Administrative expenses

All administrative expenses are stated inclusive of VAT, where applicable, as the company is not eligible to reclaim VAT incurred on its costs.

### Investments

Current asset trade investments are stated at the lower of cost and recoverable amount. Recoverable amount is the lower of bid price and Directors' valuation. The lower Directors' valuation is applied where the Company's interest in the investee company amounts to 7% or more of the investee Company's issued share capital or more than 7% of the investment portfolio or where there are factors of which the Directors are aware which call for some further adjustment. At 30 September 2012, these discounts totalled £353,684 (2011: £852,706).

Where the recoverable amount falls below cost the investment is written down accordingly with the decline in value (and any subsequent reversals) being included in operating profit.

Increases in value are not recognised in the carrying amount (save for reversals of amounts previously written off as noted above) and are only recognised in the profit and loss account when they are realised by a disposal.

### Going concern

The Company's day to day financing is via a bank overdraft and, on occasion, by the use of short term loans. The Company's formal overdraft facility was last confirmed by the bank in early 2012.

Whilst the Directors fully expect a sufficient overdraft facility to remain in place for the foreseeable future, they are confident that sufficient funding can be raised as required to meet the Company's current and future liabilities. In the very unlikely event that such finance could not be raised, the Directors could raise sufficient funds by disposal of certain of its current asset trade investments, although such a 'forced' sale is to be avoided if at all possible.

For the reasons outlined above, the Directors are satisfied that the Company will be able to meet its current and future liabilities, and continue trading, for the foreseeable future and, in any event, for a period of not less than twelve months from the date of approving the financial statements. The preparation of the financial statements on a going concern basis is therefore considered to remain appropriate.

### Taxation

Corporation tax payable is provided on taxable profits at the current rates enacted or substantially enacted at the balance sheet date.

### Deferred tax

Deferred tax is provided on an undiscounted full provision basis on all timing differences which have arisen but not reversed at the balance sheet date using rates of tax enacted or substantively enacted 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 as all of the options had fully vested prior to 1 October 2006, the effective date of Financial Reporting Standard 20, 'Share Based Payments'.

### Treasury shares

Where the Company acquired its own shares ('treasury shares') these are deducted from retained profits. No profit or loss is recognised on purchase or subsequent sale of treasury shares.

## 2 (Loss)/profit on ordinary activities before taxation

| | **Year ended 30 September 2012 £** | Year ended 30 September 2011 £ |
|---|---|---|
| (Loss)/profit on ordinary activities before taxation is stated after charging: | | |
| Auditor's remuneration – audit | **14,050** | 13,650 |
| Auditor's remuneration - non-audit services | **18,600** | 18,250 |
| Directors' emoluments – Note 5 | **105,000** | 131,500 |

Auditor's remuneration for non-audit services provided during the year comprises nominated advisor fees of £15,000 and tax compliance service fees of £3,600, both stated exclusive of VAT (2011: nominated advisor fees of £15,000 and tax compliance fees of £3,250 both stated exclusive of VAT).

## 3 Taxation

| | **Year ended 30 September 2012 £** | Year ended 30 September 2011 £ |
|---|---|---|
| **Current year taxation** | | |
| UK corporation tax at 25% (2011: 27%) on (loss)/profit for the year | **(284,172)** | 762,418 |
| Adjustments in respect of prior years | **128** | - |
| Total current tax (credit)/charge for the year | **(284,044)** | 762,418 |
| The tax assessed is at the standard rate of corporation tax in the UK at 25% (2011: standard rate 27%). The differences are explained below: | | |
| (Loss)/profit on ordinary activities before taxation | **(1,031,562)** | 2,825,563 |
| (Loss)/profit on ordinary activities at 25% (2011: 27%) | **(257,891)** | 762,902 |

| | | |
|---|---|---|
| Effect of: | | |
| Expenses not deductible for tax purposes | **2** | 62 |
| Adjustments in respect of prior years | **128** | - |
| Losses carried back | **263,267** | - |
| Losses brought forward | **-** | (555) |
| Utilisation of tax losses and other deductions | **(284,172)** | - |
| Rounding | **-** | 9 |
| Other permanent differences | **(5,378)** | - |
| Current tax (credit)/charge for the year | **(284,044)** | 762,418 |

## 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.

## 5 Directors' emoluments:

**Year ended 30 September 2012**

| | Fees | Amounts paid to third parties - see note | Bonus | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| R B Rowan | **-** | 54,000 | - | **54,000** |
| A C R Scutt | **15,000** | - | - | **15,000** |
| J Watkins | **18,000** | 18,000 | - | **36,000** |
| | **33,000** | 72,000 | - | **105,000** |
| Year ended 30 September 2011 | | | | |
| R B Rowan | - | 54,000 | 24,000 | 78,000 |
| A C R Scutt | 13,500 | - | 2,500 | 16,000 |
| J Watkins | 15,000 | 15,000 | 7,500 | 37,500 |
| | 28,500 | 69,000 | 34,000 | 131,500 |

### Amounts paid to third parties

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

- In respect of the management services of Bruce Rowan, £54,000 (2011: £54,000) is payable to Sunvest Corporation Limited, a company of which he is a director and shareholder. Of this £18,000 relates to the provision of an office (2011: £18,000). At 30 September 2012, the sum of £13,500 (2011: £51,000) was outstanding.
- In respect of the professional services of John Watkins, FCA, £18,000 (VAT not chargeable; 2011: £15,000 + VAT) of the above remuneration was paid through his business. At 30 September 2012, the sum of £4,500 (2011: £1,500 + VAT) was outstanding.

### Pensions

No pension benefits were provided for any director in the current or previous year.

### Directors' share options

Details of share options held and exercised during the year by the directors are set out in Note 12.

## 6 (Loss)/earnings per share

| | **Year ended 30 September 2012 £** | Year ended 30 September 2011 £ |
|---|---|---|
| The basic (loss)/earnings per share is derived by dividing the (loss)/profit for the year attributable to ordinary shareholders by the weighted average number of shares in issue. | | |
| (Loss)/profit for the year | **(747,518)** | 2,063,145 |
| Weighted average number of Ordinary shares of £0.01 in issue | **36,967,532** | 36,717,259 |
| (Loss)/earnings per share – basic | **(2.0) pence** | 5.6 pence |
| Weighted average number of Ordinary shares of £0.01 in issue inclusive of outstanding options | **37,383,926** | 40,492,259 |
| (Loss)/earnings per share – diluted | **-** | 5.1 pence |

The weighted average number of shares in issue excludes outstanding options exercisable at 15 pence per share as they are out of the money.

In view of the loss for the year, diluted earnings per share has not been calculated; the options have no dilutive effect.

## 7 Debtors

| | **30 September 2012 £** | 30 September 2011 £ |
|---|---|---|
| Prepayments | **25,870** | 27,710 |
| Taxation recoverable | **284,172** | - |
| | **310,042** | 27,710 |

## 8 Current trade investments, at the lower of cost, market value or directors' valuation

| | **30 September 2012 £** | 30 September 2011 £ |
|---|---|---|
| **Cost** | | |
| At 30 September 2011 | **6,765,779** | 6,089,352 |
| Additions at cost | **525,000** | 1,292,054 |
| Disposals | **-** | (614,341) |
| Amounts written off | **-** | (1,286) |
| **At 30 September 2012** | **7,290,779** | 6,765,779 |
| | | |
| **Provisions** | | |
| At 30 September 2011 | **3,397,020** | 3,293,582 |
| Released during the year | **(232,961)** | (295,075) |
| Provided during the year | **1,075,664** | 399,799 |
| Amounts written off | **-** | (1,286) |
| **At 30 September 2012** | **4,239,723** | 3,397,020 |
| | | |
| **Net book amount** | | |
| **At 30 September 2012** | **3,051,056** | 3,368,759 |
| At 30 September 2011 | 3,368,759 | 2,795,770 |
| | | |
| The net book carrying values of the investments above were as follows: | | |
| Quoted on LSE | **416,250** | 423,450 |
| Quoted on AIM | **2,096,627** | 2,654,304 |
| Quoted on PLUS | **216,314** | 215,090 |
| Quoted on foreign stock exchanges | **21,865** | 75,915 |
| Unquoted | **300,000** | - |
| | **3,051,056** | 3,368,759 |
| The market value or directors' lower valuation of the trading portfolio was: | | |
| Quoted on LSE | **416,250** | 423,450 |
| Quoted on AIM | **2,460,655** | 4,759,823 |
| Quoted on PLUS | **216,314** | 215,310 |
| Quoted on foreign stock exchanges | **21,865** | 75,915 |
| Unquoted | **395,000** | - |
| | **3,510,084** | 5,474,498 |

## 9 Trade investments

The Company has holdings in the companies described in the review of portfolio on pages 6 to 14.

Of these, the Company has holdings amounting to 20% or more of the issued share capital of the following companies:

| Name | Country of incorporation | Class of shares held | Percentage of issued capital | Profit/(loss) for the last financial year | Capital and reserves at last balance sheet date | Accounting year end |
|---|---|---|---|---|---|---|
| Equity Resources plc – see note 1 | England & Wales | Ordinary | 29.34% | £(36,950) | £83,878 | 31 May 2012 |
| Nordic Energy plc – see note 2 | England & Wales | Ordinary | 42.37% | - | - | 31 May 2013 |
| Treslow Limited – see note 3 | England & Wales | Ordinary | 30.1% | £(292) | £29,934 | 30 April 2010 |

Note 1: Equity Resources plc is considered to be an associated undertaking. Equity accounting has not been used as the Company does not prepare consolidated financial statements.

Note 2: The Company has no representation on the Board of Directors of Nordic Energy plc ("Nordic") nor does it exert significant influence in any other way. Accordingly, Nordic is not accounted for as an associate undertaking despite the holding being in excess of 20% of the issued share capital. The Company's expectation is that its interest will be heavily diluted as Nordic develops its business for which it issues new equity.

Note 3: During 2008, the Company agreed to support Treslow Limited through its pre IPO processes; the required information is not available. The company does not exert significant influence over Treslow Limited and so it is not considered to be an associated undertaking despite the holding being in excess of 20% of issued share capital.

## 10 Creditors

| | **30 September 2012 £** | 30 September 2011 £ |
|---|---|---|
| Amounts falling due within one year: | | |
| Trade creditors | **7,851** | 35,112 |
| Corporation tax | **-** | 762,418 |
| Social security and other taxes | **2,800** | 4,037 |
| Accruals | **35,590** | 65,441 |
| | **46,241** | 867,008 |

A bank overdraft facility is secured by a charge over certain of the Company's investments having a market value at the balance sheet date of £1.62m.

## 11 Share capital

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

| *Authorised* | **Number** | **Nominal £** |
|---|---|---|
| As at 30 September 2011 and 30 September 2012, Ordinary shares of £0.01 each | **250,000,000** | **2,500,000** |
| *Called up, allotted, issued and fully paid* | | |
| As at 30 September 2011 | **39,017,259** | **390,173** |
| Share issue 14 February 2012 | **400,000** | **4,000** |
| As at 30 September 2012 | **39,417,259** | **394,173** |

**Shares held in treasury**

| | **30 September 2012** | 30 September 2011 |
|---|---|---|
| Total number of shares held in treasury | **2,300,000** | 2,300,000 |

## 12 Share options

The Company established share option schemes on 27 June 2002 and on 14 February 2005. The 2002 scheme expired on 31 May 2012 when unexercised options lapsed; the 2005 share option scheme continues. During the year ended 30 September 2012, no new options were granted; options over 400,000 new Ordinary shares were exercised. As at 30 September 2012, the outstanding options were as follows:

| | At 30 Sept 2011 | Exercised during the year | At 30 Sept 2012 outstanding & exercisable | Exercise price | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|
| RB Rowan | 1,750,000 | - | 1,750,000 | 15 pence | 14 Feb2005 | 31 Jan 2015 |
| ACR Scutt | 200,000 | 200,000 | - | 6 pence | - | - |
| ACR Scutt | 350,000 | - | 350,000 | 15 pence | 14 Feb 2005 | 31 Jan 2015 |
| J Watkins | 500,000 | 200,000 | - | 5 pence | - | - |
| J Watkins | 100,000 | - | - | 6 pence | - | - |
| J Watkins | 875,000 | - | 875,000 | 15 pence | 14 Feb 2005 | 31 Jan 2015 |
| | 3,775,000 | 400,000 | 2,975,000 | | | |

Note 1: The market value of the Company's shares at 30 September 2012 was 6.5 pence (2011: 13.00 pence) and the range during the year was 5 pence to 13.5 pence (2011: 7.00 pence to 21 pence), the average for the year being 8.86 pence (2011: 13.7 pence).

## 13 Reserves

The movements on reserves during the year were as follows:

| | **Share premium account £** | **Profit and loss account £** |
|---|---|---|
| As at 30 September 2011 | **2,100,396** | **1,932,428** |
| Loss for the year | **-** | **(747,518)** |
| Share premium on shares issued | **18,000** | **-** |
| Dividend paid | **-** | **(183,586)** |
| As at 30 September 2012 | **2,118,396** | **1,001,324** |

## 14 Movement on equity shareholders' funds

| | **Year ended 30 September 2012 £** | Year ended 30 September 2011 £ |
|---|---|---|
| (Loss)/profit for the year | **(747,518)** | 2,063,145 |
| Shares issued | **22,000** | - |
| Dividends paid | **(183,586)** | (91,793) |
| Net (decrease)/increase in shareholders' funds | **(909,104)** | 1,971,352 |
| Opening equity shareholders' funds | **4,422,997** | 2,451,645 |
| Closing equity shareholders' funds | **3,513,893** | 4,422,997 |

## 15 Reconciliation of operating (loss)/profit to operating cash flows

| | **Year ended 30 September 2012 £** | Year ended 30 September 2011 £ |
|---|---|---|
| Operating (loss)/profit | **(1,042,494)** | 2,825,523 |
| Amounts written off trade investments | **842,703** | 104,724 |
| Decrease/(increase) in debtors | **1,840** | (3,686) |
| (Decrease)/increase in creditors | **(58,349)** | 68,460 |
| Purchase of trade investments at cost | **(525,000)** | (1,292,054) |
| Profit on sale of investments | **-** | (3,159,046) |
| Proceeds on sale of investments | **-** | 3,788,942 |
| Sales costs | **-** | (15,555) |
| Net cash (outflow)/inflow from operating activities | **(781,300)** | 2,317,308 |

## 16 Analysis and reconciliation of net funds

| | 30 September 2011 £ | Cash flow £ | **30 September 2012 £** |
|---|---|---|---|
| Cash at bank | 1,893,536 | (1,694,500) | **199,036** |
| Net cash | 1,893,536 | (1,694,500) | **199,036** |

| | **Year ended 30 September 2012 £** | Year ended 30 September 2011 £ |
|---|---|---|
| (Decrease)/increase in cash in the year | **(1,694,500)** | 2,235,045 |
| Movement in funds in the year | **(1,694,500)** | 2,235,045 |
| Net cash at 1 October | **1,893,536** | (341,509) |
| Net cash at 30 September | **199,036** | 1,893,536 |

## 17 Commitments

As at 30 September 2012 and 30 September 2011, the Company had no commitments other than for expenses incurred in the normal course of business.

## 18 Related party transactions

During the year the directors received the following dividends in respect of their holdings in the Company.

| *Related party* | **2012 Net dividend** | 2011 Net dividend |
|---|---|---|
| Ronald Bruce Rowan | **£50,850** | £25,425 |
| Anthony Charles Raby Scutt – personal | **£250** | £125 |
| Anthony Charles Raby Scutt – as trustee | **£550** | £275 |
| Mrs Diane Mary Watkins – wife of John Watkins | **£5,000** | £2,500 |
| John Watkins | **£175** | £87 |

## 19 Financial instruments

The Company uses financial instruments, comprising cash, bank overdraft, short term loan, 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 8. The Board meets quarterly to consider investment strategy in respect of the Company'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. More information about the company's liquidity risk, and the management of that risk, is given under 'going concern' in note 1 to the financial statements.

### Borrowing facilities

As at 30 September 2012, the Company had an overdraft facility of £250,000 arranged with its bankers (2011: £250,000) secured on certain investments with a market value at 30 September 2012 of £1.62m.

### Currency risk

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

### Fair values

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

## 20 Post balance sheet event

There are no reportable post balance sheet events.

## 21 Control

There is considered to be no controlling related party.

# Notice of Annual General Meeting

**STARVEST plc**

Notice is hereby given that the Annual General Meeting of Starvest plc (the "Company") will be held at St Stephen's Club, 34 Queen Anne's Gate, London SW1H 9AB on Monday 10 December 2012 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 cases of resolutions 1 to 4 and 6 and as a special resolution in the case of resolution 5.

**ORDINARY BUSINESS**

**Ordinary resolutions**

**1** To receive the report of the Directors and the audited financial statements of the Company for the year ended 30 September 2012.

**2** To re-elect Anthony Charles Raby Scutt as a Director of the Company, who retires by rotation under the Articles of Association of the Company and, being eligible, offers himself for re-election.

**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 the remuneration of the auditors.

**4** That in substitution for all existing authorities under the following section to the extent unutilised, the Directors be generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the "Act") to allot relevant securities (within the meaning of section 560) up to an aggregate nominal amount of £250,000. The authority referred to in this resolution shall be in substitution for all other existing authorities, and shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the earlier of the next Annual General Meeting of the Company and the date falling 15 months following the date of the Annual General Meeting being convened by this Notice. The Company may, at any time prior to the expiry of the authority, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of the authority and the Directors are hereby authorised to allot relevant securities in pursuance of such offer or agreement as if the authority had not expired.

**Special resolution**

**5** That in substitution for all existing authorities to the extent unutilised, the Directors, pursuant to Section 570 of the Act, be empowered to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 4 as if Section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

(a) the allotment of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to the holders of ordinary shares in the capital of the Company in proportion (as nearly as may be) to their holdings of such ordinary shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with equity securities representing fractional entitlements and with legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in, any territory; and

(b) the allotment, other than pursuant to (a) above, of equity securities:

(i) arising from the exercise of options and warrants outstanding at the date of this resolution;

(ii) other than pursuant to (i) above, up to an aggregate nominal value of £250,000,

and this power shall, unless previously revoked or varied by special resolution of the Company in general meeting, expire at the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling 15 months following the date of the Annual General Meeting being convened by this Notice. The Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors are hereby empowered to allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

**SPECIAL BUSINESS**

**6** That the Company be unconditionally and generally authorised to make market purchases (as defined by the Companies Act 2006 Section 701(1)) of Ordinary shares of £0.01 each in its capital, provided that:

(a) the maximum number of shares that may be so acquired is 5,900,000, 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 paid is an amount equal to or 5% higher than the average of the middle market quotations per share as derived from the Daily List of the AIM market of the London Stock Exchange for the five business days immediately preceding the day on which the shares are purchased; and

the authority conferred by this resolution shall expire on the date falling fifteen 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.

This may be sent by facsimile transfer to 01252 719 232 or by mail using the reply paid card to:

The Company Secretary, Starvest plc
c/o Share Registrars Limited
Suite E, First Floor, 9 Lion and Lamb Yard
Farnham, Surrey GU9 7LL

In either case, the signed proxy must be received no later than 48 hours (excluding non-business days) before the time of the meeting, or any adjournment thereof.

| *Registered Office:* | ***By order of the Board*** |
|---|---|
| 55 Gower Street<br>London WC1E 6HQ | John Watkins<br>Company Secretary |

5 November 2012

Registered in England and Wales Number: 3981468

# Notes to the Notice of General Meeting

**ENTITLEMENT TO ATTEND AND VOTE**

1 Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001 and paragraph 18(c) of The Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009, the Company specifies that only those members registered on the Company's register of members 48 hours before the time of the Meeting shall be entitled to attend and vote at the Meeting. In calculating the period of 48 hours mentioned above no account shall be taken of any part of a day that is not a working day.

**Appointment of proxies**

2 If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited on 01252 821 390.

5 A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

**Appointment of proxy using hard copy proxy form**

6 The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;

- sent or delivered to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232; and
- received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

**Appointment of proxy by joint members**

7 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

**Changing proxy instructions**

8 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited on 01252 821 390.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

**Termination of proxy appointments**

9 In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, the revocation notice must be received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

**Issued shares and total voting rights**

10 As at 5 November 2012, the Company's issued share capital comprised 39,417,259 ordinary shares of £0.01 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5 November 2012 is 39,417,259.

**Communications with the Company**

11 Except as provided above, members who have general queries about the Meeting should telephone John Watkins on 01483 771992 (no other methods of communication will be accepted). You may not use any electronic address provided either in this notice of general meeting; or any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

**CREST**

12 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual.

CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via euroclear.com/CREST).

The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID: 7RA36) by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of CREST by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

# Notes to the proxy form

1 As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.

2 Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

3 A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions.

4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy please contact the registrars of the Company, Share Registrars Limited, on 01252 821 390.

5 To direct the proxy how to vote on the resolutions please delete as appropriate. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

6 To appoint a proxy using this form, the form must be:

- completed and signed;
- sent or delivered to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL; and
- received by Share Registrars Limited no later than 48 hours (excluding non-business days) before the time of the meeting.

7. In the case of a member which is a company, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

8 Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

9 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

10 If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

11 For details of how to change your proxy instructions or revoke your proxy appointment see the notes to the notice of meeting.

12 You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.

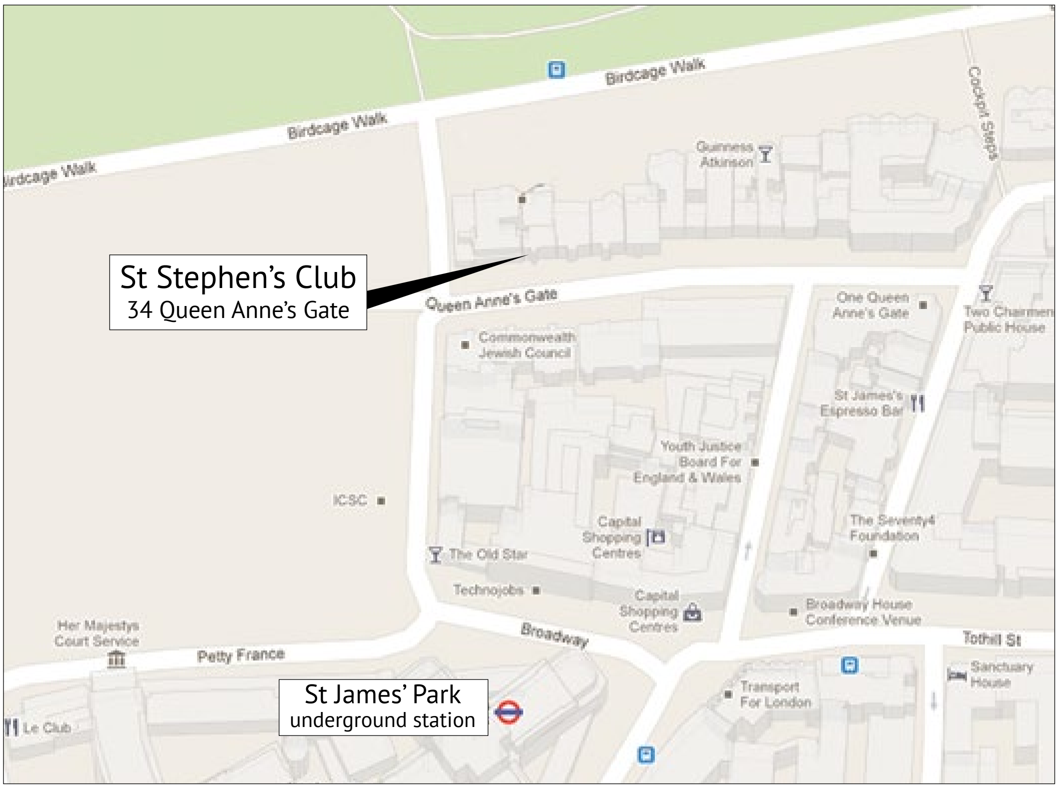
**AGM VENUE**

**St Stephen's Club**

34 Queen Anne's Gate
London SW1H 9AB

**Directions to St Stephen's**

Within easy walking distance of St James' Park underground station

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