



Annual Report and Financial Statements  
For the year ended 31 July 2009

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This document is important and requires your immediate attention. If you are in doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or otherwise transferred all of your shares in Anglo & Overseas Plc, please forward this document, together with the accompanying document, as soon as possible to the purchaser or transferee or to the stockholder, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Registered in England No. 5451176

An investment company as defined under Section 833 of the Companies Act 2006

The Company is a member of the Association of Investment Companies ("AIC")

## COMPANY SUMMARY

<b>Commencement</b>	The Company was incorporated on 12 May 2005. It commenced operations on the admission of its shares to listing on the London Stock Exchange on 29 July 2005.
<b>Investment objective</b>	The Company's investment objective is to provide shareholders with above average returns over the longer term through both capital appreciation and income growth.
<b>Investment policy</b>	<p>The Company's investment policy is to invest in a focused portfolio comprising principally securities of publicly quoted companies worldwide which the Investment Manager considers to be undervalued on the basis of their earnings potential. The Company may also invest up to 5 per cent of its gross assets in unquoted securities and up to 10 per cent of its gross assets in other listed investment companies or funds, including investment trusts. The Company's portfolio will be constructed without reference to either the composition of any stock market index or any geographic, industrial or sectoral asset allocation limits.</p> <p>The complete investment policy is set out in the Directors' Report on page 13.</p>
<b>Shareholders' funds</b>	£73,689,000 as at 31 July 2009
<b>Market capitalisation</b>	£68,322,000 as at 31 July 2009
<b>Capital structure</b>	As at 31 July 2009, the Company's authorised share capital comprised 399,500,000 Ordinary Shares of 10p each, of which 84,582,568 (including 8,457,438 own shares held in treasury) were issued and fully paid, resulting in the total number of shares in circulation being 76,125,130 Ordinary Shares. As at the date of this report, the Company had 83,275,319 Ordinary Shares in issue (including 8,327,438 own shares held in treasury), resulting in the total number of shares in circulation being 74,947,881 Ordinary Shares.
<b>Savings plans</b>	The Company's Ordinary Shares are eligible for inclusion in ISAs and SIPPs. Savings plans and ISA transfers are available through the Edinburgh Partners Investment Trust Savings Scheme, both for lump sum investments and regular contributions. Details may be obtained from Edinburgh Partners, as detailed on page 50, or via the Company's website <a href="http://www.angloandoverseasplc.com">www.angloandoverseasplc.com</a> .
<b>AIC</b>	The Company is a member of the Association of Investment Companies.
<b>Investment Manager</b>	<p><b>Edinburgh Partners Limited</b></p> <p>Edinburgh Partners Limited ("Edinburgh Partners") was founded in 2003 as a specialist investment management firm focusing exclusively on achieving above average returns for investors based on global investment analysis of the highest quality. The founders of Edinburgh Partners include experienced investment professionals with strong investment performance records who believe rigorous fundamental research allied to patience is the basis of long-term investment success. Each of the investment professionals has specific responsibilities for sector and regional research in addition to their fund management role.</p> <p>Edinburgh Partners is committed to investment trusts as flexible, long-term savings vehicles and intends that they should form an important component of its business offering.</p>

## FINANCIAL SUMMARY

Results for year	31 July 2009	31 July 2008	% change
Shareholders' funds	<b>£73,689,000</b>	£84,076,000	(12.4)%
Net asset value ("NAV") per Ordinary Share	<b>96.80p</b>	105.04p	(7.8)%
Share price per Ordinary Share	<b>89.75p</b>	90.00p	(0.3)%
Share price discount to NAV	<b>7.3%</b>	14.3%	

	Year to 31 July 2009	Year to 31 July 2008
Capital return per Ordinary Share*	<b>(9.35)p</b>	(28.20)p
Revenue return per Ordinary Share*	<b>3.17p</b>	3.41p
Total return per Ordinary Share*	<b>(6.18)p</b>	(24.79)p
Dividend per Ordinary Share**	<b>2.90p</b>	2.84p

\* Based on the weighted average number of Ordinary Shares in issue during the year, excluding own shares held in treasury.

\*\* Total dividend for the year, including proposed final dividend.

Year's high/low	Year to 31 July 2009	Year to 31 July 2008
NAV - high	<b>115.25p</b>	131.80p
- low	<b>75.47p</b>	98.05p
Share price - high	<b>103.00p</b>	119.00p
- low	<b>68.50p</b>	81.25p
Share price discount to NAV - low	<b>0.1%</b>	<b>6.7%</b>
- high	<b>16.4%</b>	<b>18.4%</b>

### Cost of running the Company

Total expense ratio*	<b>0.9%</b>	0.9%
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\* Based on the total expenses for the year and average monthly net asset value.

Performance record	Shareholders' funds	Net asset value per Ordinary Share	Share price per Ordinary Share	Discount to net asset value	Revenue return per Ordinary Share	Dividend per Ordinary Share***
Year ended 31 July						
2006*	<b>£105.8m</b>	<b>118.36p</b>	<b>108.75p</b>	<b>8.1%</b>	<b>2.38p</b>	<b>1.92p</b>
2007**	<b>£115.7m</b>	<b>130.99p</b>	<b>118.25p</b>	<b>9.7%</b>	<b>2.81p</b>	<b>2.20p</b>
2008	<b>£84.1m</b>	<b>105.04p</b>	<b>90.00p</b>	<b>14.3%</b>	<b>3.41p</b>	<b>2.84p</b>
2009	<b>£73.7m</b>	<b>96.80p</b>	<b>89.75p</b>	<b>7.3%</b>	<b>3.17p</b>	<b>2.90p</b>

\* Period 29 July 2005 to 28 July 2006.

\*\* Period 29 July 2006 to 31 July 2007.

\*\*\* This includes the final dividend for each year, including the 2009 proposed final dividend of 2.08p.

## CHAIRMAN'S STATEMENT

### Results

In what can only be described as a rollercoaster period for equity investors during the year to 31 July 2009 the net asset value per share fell to 96.8p from 105.0p as at 31 July 2008. This represents a decrease of 7.8% for the year. The total return in the year was -4.9%, after including dividends paid. The total return from the FTSE All-Share Index over the year to 31 July 2009 was -10.5%, while the corresponding total return from the FTSE All-World ex UK Index was -3.8%. The total return from the average of these two indices, which is used for comparative purposes as the Company does not have any formal benchmark, over the year under review was -7.2%. While it is obviously disappointing to produce a negative return for the year, it is encouraging that the Company produced a relative return 2.3% ahead of the composite index.

### Investment Strategy

The investment philosophy adopted by the Investment Manager aims to identify, through disciplined and extensive research, the long-term earnings potential of a company and compares the intrinsic value to its share price. This approach requires patience as the resulting portfolio is unlikely to resemble any index and returns may be volatile against any index. The Directors believe in the merits of a fundamental, long-term approach, particularly as we navigate through difficult economic conditions.

### Share Price and Discount

As at 31 July 2009 the Company's share price was 89.75p, which is only marginally lower than the 90.0p at 31 July 2008. This represents a discount to net asset value per share (including income) of 7.3% and compares with a discount of 14.3% at the previous year end. Your Board believes that the shares of your Company should trade at a relatively narrow range around the net asset value. The Board continues to actively monitor and manage the discount and was pleased to note the reduction over the year.

The Investment Manager has continued to actively market the Company through a series of investor presentations across the UK. In addition, private investors can purchase shares in the Company through savings plans operated by Edinburgh Partners, details of which can be found on the Edinburgh Partners website [www.edinburghpartners.com](http://www.edinburghpartners.com) and the Company's website [www.angloandoverseasplc.com](http://www.angloandoverseasplc.com).

Another important tool used to manage the discount is to buy-back shares. In the year ended 31 July 2009, the Company purchased for cancellation a total of 3,920,251 shares (representing 4.9% of shares in issue at the prior year end, excluding own shares held in treasury) at a cost of £3,275,000.

The authority to repurchase shares will expire at the Annual General Meeting on 27 November 2009 and a Special Resolution will be proposed for its renewal. This will allow the Company to repurchase up to 14.99% of its shares in issue (excluding treasury shares) in the open market and for the shares to be cancelled or held in treasury. As I stated in the half yearly report, the Company's shares will only be purchased when supply exceeds demand and where the Directors consider it to be in the best interests of Shareholders, particularly in the enhancement to net asset value per share to continuing Shareholders. No shares will be repurchased if it would dilute the net asset value of the remaining shares.

### Revenue and Dividend

There was a reduction in the revenue generated from the portfolio in the year under review. Net revenue was 3.17p, compared to 3.41p, representing a decrease of 7%. This was not unexpected as many banks were required to strengthen their balance sheets. While there has been an underlying improvement in the availability of finance to the corporate sector, it is clear that it has still not returned to normal. As a result, many companies will conserve capital and dividends remain under pressure.

The Board is aware of the importance that shareholders place on dividend income as highlighted at the time of the change of investment policy in May 2008 when shareholders approved the removal of geographical constraints on the portfolio and increased emphasis was placed on income return.

After increasing the dividend in recent periods, the Directors do not want to place unnecessary constraints on investment management decisions by adopting a policy to protect the income of the Company, as this may be at the expense of long-term shareholder value. It also recognises in particular at present that yields on other assets are reducing and has taken these factors into account when deciding on the dividend amount.

## CHAIRMAN'S STATEMENT - continued

It is my pleasure to recommend a final dividend of 2.08p, an increase of 0.04p on the prior year final dividend of 2.04p. The total dividend for the year will be 2.90p, an increase of 2.1%. The Company has revenue reserves of 4.5p per share, before taking account of the proposed final dividend.

It remains the intention of the Board to maintain a progressive dividend policy, and the Directors intend to at least maintain the level of dividends to shareholders during the current phase of the economic cycle.

Subject to the approval of shareholders at the Annual General Meeting on 27 November 2009 the proposed final dividend of 2.08p will be paid on 4 December 2009 to shareholders on the register as at 30 October 2009. The ex-dividend date will be 28 October 2009.

### **Developments in the Investment Trust Sector**

Your Board is strongly supportive of the stance of the Association of Investment Companies ("AIC") in opposing European initiatives to impose greater regulation on fund management activity which may inadvertently include companies such as Anglo & Overseas.

We welcome the changes in the tax treatment of overseas income which should have a positive impact on the net revenue return from the Company's investments.

### **Board**

Robert Alcock retired as Chairman of the Board and as a Director of the Company on 12 November 2008, immediately after last year's Annual General Meeting, and I succeeded him as Chairman, with Giles Weaver succeeding me as chairman of the Audit Committee and as Senior Independent Director.

Robert Alcock had been Chairman of the Board since the Company's launch in 2005 and of its predecessor company, Anglo & Overseas Trust PLC, where he was a Director from 1997 and Chairman from 2004. He has played an important part in guiding the Company and I and my colleagues take this opportunity to thank him for all his hard work and advice over the years.

### **Outlook**

It would appear that we are through the worst of the financial crisis and there are signs in most of the world's major economies that the decline in economic activity may be over. The debate has now moved on to the expected strength of the economic recovery.

While growth in emerging market economies will be higher we remain convinced that the recovery in the major developed economies will be gradual, as too many consumers and governments still require to put their balance sheets in order. The scope for additional government stimulus programmes is limited from here and unemployment will continue to increase. There is an excess of productive capacity over demand in the corporate sector and while the banking sector is recovering, many companies are still finding financing terms onerous. As a result, companies will manage working capital and capital expenditure tightly. This is likely to lead to global interest rates being maintained at low levels for quite some time. As a consequence, against other major asset classes, such as bonds and cash, equities are expected to continue to be attractive investments for the long-term investor.

**John Pearmund**

Chairman

15 October 2009

## MANAGER'S REPORT AND PORTFOLIO ANALYSIS

### Objective

Anglo & Overseas Plc's investment objective is to provide shareholders with above average returns over the longer term through both capital appreciation and income growth.

The Company has no constraints on geographic exposure. The composition of the portfolio is driven by company valuations and is constructed without reference to the composition of any stock market index, or any industrial or sectoral asset allocation limits. Consequently, over short periods of time, relative performance is likely to be volatile against any index.

### Economic and Geographic Overview

To describe the financial year to 31 July 2009 as volatile appears now as something of an understatement. From the start of the financial year until the first quarter of 2009, economies worldwide suffered the full force of the global financial crisis. In Europe, North America and the UK economies were in recession and governments took extraordinary action to ensure that financial markets continued to operate. In the most extreme cases in the US, where Barack Obama was sworn in as President in January 2009, and the UK, banks were effectively nationalised and massive quantitative easing programmes were initiated to provide capital, liquidity and ultimately confidence to financial markets. Liquidity was in short supply and businesses required to squeeze as much cash as possible out of working capital.

We remain convinced that the economic recovery in Europe and North America will be subdued. In the UK and the US, in particular, household debt levels are still uncomfortably high and with job insecurity increasing and higher taxes on the horizon, it will be some time before confidence to spend and borrow returns. Similarly, substantial debt has been transferred to the public sector and some tough decisions require to be taken for governments to bring their debt under control. This recession is also different from many previous economic recessions, in that it has been accompanied by a banking crisis. The massive capital injections have averted depression, but banks, faced with rising bad debts and an imbalance between lending and deposits, are still contracting their loan books. This will be a slow and job-less recovery.

There is likely to continue to be more growth in emerging markets and we continued to search for investments that met our investment criteria. While the most visible signs of these changes were seen at a sector level, the impact at a geographical level saw reductions in UK and US exposure from 47% and 16% respectively, to 43% and 7%. Conversely, a 2% position was established in Hong Kong and investment in China increased from 2% to 5%.

### Portfolio

Portfolio construction is based upon our analysis of long-term earnings and risk. The strategy, set out in last year's report, of re-investing the proceeds from the disposal of holdings in utilities, telecommunications and healthcare companies has continued. Reinvestment has concentrated on more economically sensitive and growth companies, where valuations align with their earnings prospects. At a sector level the clearest examples of this have been the reduction in healthcare from 14% to 7% and an increase in technology from 6% to 9%.

Progress in reorientating the portfolio has been slower than we had originally anticipated; the more defensive utility and telecommunication companies did not become overvalued or reach a position where investment in more growth or cyclical companies could be justified. Given the economic overview described above, we expect global economic recovery to be gradual and prolonged and this has been incorporated into our long-term valuation strategy.

Included within our purchases over the period were Baidu.com and China Mobile. Both companies have strong market positions and healthy balance sheets. Baidu.com is often referred to as the 'Google of China', while China Mobile is the dominant wireless provider in China. Closer to home a position was built in C&C, the Irish cider producer of Magners, which has a new management team. A holding was established in Deutsche Post where a new management team is also in place and there is scope for margin improvement.

## MANAGER'S REPORT AND PORTFOLIO ANALYSIS - continued

There is an increased focus on income generation within the portfolio following the change in investment policy in May 2008 which removed the previous geographical constraints on investment and placed a greater emphasis on dividends within the Company's total return objective.

Over the year, 3% of the portfolio position was invested in corporate bonds. We selected liquid, investment grade bonds with a relatively short duration. It was the intention to initially increase this to 5% of the portfolio, but we were frustrated by market movements and poor liquidity.

### **Outlook**

Equities still look attractive compared to many other alternative investments, although in the short term the position regarding individual company liquidity will require to be closely monitored. Cash returns are minimal and the flood of government gilt issuance and eventual inflation is likely to negatively impact returns. Property has fallen in value but there is still too much distressed supply to give confidence that values have bottomed.

There is cash on the sidelines and investors need income and a hedge against possible future inflation. Equities can meet these parameters and there are some outstanding opportunities in quality companies at valuation levels that we have not seen for some time.

After the recent rally, it is likely that equity markets will pause to reflect on a subdued economic recovery and absorb equity issuance. We believe that many cyclical companies look exposed in this scenario. Conversely, some companies which are still able to grow revenues and profits are on attractive valuations and it is in these areas where we will continue to focus our research and investment.

**Graham Campbell**

Edinburgh Partners Limited

**Dr Sandy Nairn**

Edinburgh Partners Limited

15 October 2009

**PORTFOLIO OF INVESTMENTS**  
as at 31 July 2009

**20 Largest Investments**

Company	Sector	Country	Valuation £'000	% of Net Assets
BP	Oil & Gas	United Kingdom	2,486	3.4
ENI	Oil & Gas	Italy	2,272	3.1
Anheuser-Busch InBev	Consumer Goods	Belgium	2,172	3.0
Banque Cantonale Vaudoise	Financials	Switzerland	2,107	2.9
Provident Financial	Financials	United Kingdom	2,018	2.7
Sanofi-Aventis	Healthcare	France	1,965	2.7
Vodafone	Telecommunications	United Kingdom	1,841	2.5
Sun Hung Kai Property	Financials - Real Estate	Hong Kong	1,745	2.4
HSBC	Financials	United Kingdom	1,710	2.3
Lenovo	Technology	China	1,680	2.3
UK Commercial Property	Financials - Real Estate	United Kingdom	1,566	2.1
C&C	Consumer Goods	Ireland	1,564	2.1
Lloyds Banking	Financials	United Kingdom	1,512	2.0
E.On	Utilities	Germany	1,501	2.0
Rexam	Industrials	United Kingdom	1,497	2.0
GlaxoSmithKline	Healthcare	United Kingdom	1,436	1.9
Centrica	Utilities	United Kingdom	1,363	1.9
McBride	Consumer Goods	United Kingdom	1,356	1.8
Portugal Telecom	Telecommunications	Portugal	1,337	1.8
Gazprom	Oil & Gas	Russia	1,306	1.8
<b>Total - 20 largest investments</b>			<b>34,434</b>	<b>46.7</b>

**Other Investments**

Deutsche Post	Industrials	Germany	1,237	1.7
Novartis	Healthcare	Switzerland	1,234	1.7
Belgacom	Telecommunications	Belgium	1,233	1.7
CRH	Industrials	Ireland	1,224	1.7
Telefonica	Telecommunications	Spain	1,194	1.6
China Mobile	Telecommunications	China	1,188	1.6
TeliaSonera	Telecommunications	Sweden	1,178	1.6
Intel	Technology	United States	1,161	1.6
Morrison (WM) Supermarkets	Consumer Services	United Kingdom	1,145	1.6
Imperial Tobacco	Consumer Goods	United Kingdom	1,142	1.6
KPN	Telecommunications	Netherlands	1,127	1.5
UBS	Financials	Switzerland	1,127	1.5
National Grid	Utilities	United Kingdom	1,117	1.5
Tesco	Consumer Services	United Kingdom	1,106	1.5
Home Depot	Consumer Services	United States	1,080	1.5
Sage Group	Technology	United Kingdom	1,055	1.4
Unilever	Consumer Goods	Netherlands	1,041	1.4
Cisco Systems	Technology	United States	1,023	1.4
Baidu.com	Technology	China	1,007	1.4
Beazley	Financials	United Kingdom	972	1.3
Aviva	Financials	United Kingdom	958	1.3
Nokia	Technology	Finland	935	1.3

**PORTFOLIO OF INVESTMENTS - continued**  
as at 31 July 2009

**Other Investments - continued**

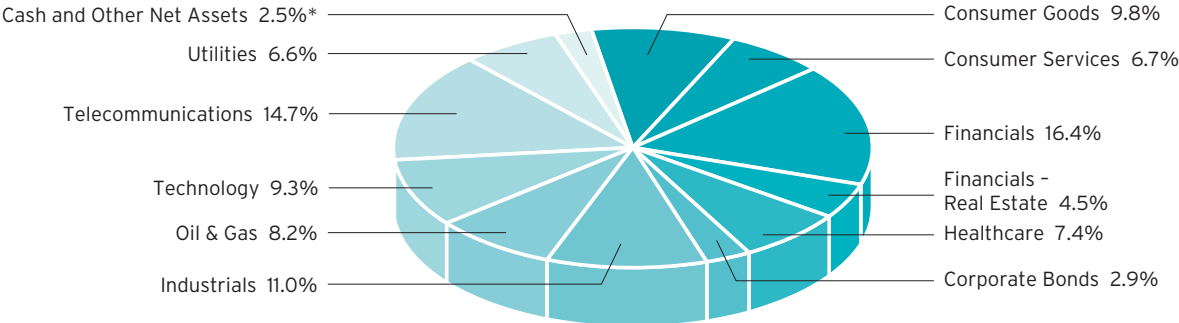
Company	Sector	Country	Valuation £'000	% of Net Assets
SK Telecom	Telecommunications	Korea, Republic of	911	1.2
Close Brothers Group	Financials	United Kingdom	905	1.2
Balfour Beatty	Industrials	United Kingdom	887	1.2
Roche	Healthcare	Switzerland	849	1.2
Scottish & Southern Energy	Utilities	United Kingdom	841	1.1
BT	Telecommunications	United Kingdom	823	1.1
Reed Elsevier	Consumer Services	United Kingdom	806	1.1
Intesa Sanpaolo	Financials	Italy	766	1.0
Arriva	Consumer Services	United Kingdom	759	1.0
First Group 6.875% 15/04/2013	Corporate Bonds	United Kingdom	750	1.0
General Dynamics	Industrials	United States	723	1.0
Siemens	Industrials	Germany	716	1.0
Home Depot 5.25% 16/12/2013	Corporate Bonds	United States	712	1.0
National Grid 4.125% 21/03/2013	Corporate Bonds	United Kingdom	696	0.9
MacFarlane Group	Industrials	United Kingdom	691	0.9
General Electric	Industrials	United States	597	0.8
Hyder Consulting	Industrials	United Kingdom	485	0.7
<b>Total - 59 investments</b>			<b>71,835</b>	<b>97.5</b>
<b>Cash and other net assets</b>			<b>1,854</b>	<b>2.5</b>
<b>Net assets</b>			<b>73,689</b>	<b>100.0</b>

The geographic distribution is based on each investment's principal stock exchange listing, except in instances where this would not give a proper indication of where its activities predominate.

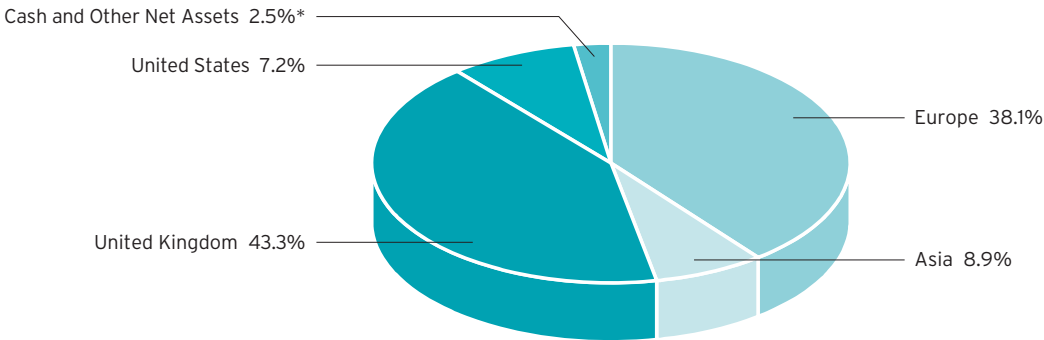
Of the ten largest portfolio investments as at 31 July 2009 the valuations at the previous year end, 31 July 2008, were BP £1,956,000; ENI £2,312,000; Anheuser-Busch InBev £1,192,000; Banque Cantonale Vaudoise £786,000; Provident Financial £2,200,000; Sanofi-Aventis £1,775,000; and Vodafone £2,041,000. The remaining three investments, Sun Hung Kai Property, HSBC and Lenovo, were new purchases made during the year ended 31 July 2009.

**DISTRIBUTION OF INVESTMENTS**  
as at 31 July 2009 (% of net assets)

**Sector distribution**



**Geographical distribution**



Source: Edinburgh Partners Limited

\* Cash and Other Net Assets includes foreign currency balances of £61,000 (0.1%).

The figures detailed in the geographical distribution pie chart represent the Company's equity exposure to those countries or regional areas.

## INVESTMENT MANAGER

The Executive Directors of Edinburgh Partners Limited are Dr Sandy Nairn, Graham Campbell and Kenneth Greig, who is also Company Secretary of Anglo & Overseas Plc, and Sam Bleakney. The biographical details of the Executive Directors and Investment Partners of Edinburgh Partners are as follows:

**Sandy Nairn (48) BSc, PhD, ASIP, CFA** Sandy is one of the founders, an Investment Partner and Chief Executive of Edinburgh Partners. He is responsible for researching the global telecommunications sector and manages international and global equity portfolios. Previously he was chief investment officer of Scottish Widows Investment Partnership and spent ten years with Templeton Investment Management, latterly as director of global equity research.

**Graham Campbell (49) BA, MBA, ASIP** Graham is one of the founders, an Investment Partner and a Director of Edinburgh Partners. He is responsible for UK company research and investment. He was previously head of retail funds at Scottish Widows Investment Partnership from 2001 to 2003. Prior to that he spent ten years with Edinburgh Fund Managers as an investment director.

**Kenneth Greig (50) BA (Hons)** Kenneth is one of the founders and the Legal Partner of Edinburgh Partners, responsible for all legal, compliance and secretarial functions. He has held a series of senior legal positions in fund management firms, including AXA Investment Managers, Morgan Stanley Asset Management and Templeton Investment Management. Prior to joining Edinburgh Partners he was head of the legal and technical team at Scottish Widows Investment Partnership.

**Sam Bleakney (47) BSSc FCA** Sam is one of the founders, Finance Partner and Director of Edinburgh Partners, responsible for all finance and back office support functions. He has held a number of senior financial positions in financial services companies, including Templeton Investment Management, where he was latterly European chief financial officer and Stocktrade, where he was finance director.

**Stephen Anderson (48) BSc** Stephen is one of the founders and an Investment Partner of Edinburgh Partners. He is responsible for Edinburgh Partner's portfolio risk appraisal and control functions. From 2001 until 2003 he was head of the research analysis group at Scottish Widows Investment Partnership. Prior to 2001 he held a variety of senior posts at Murray Johnstone.

**Ian Cormack (42) BA, ASIP** Ian is an Investment Partner with Edinburgh Partners. He is responsible for the global buildings and chemical sectors and is a manager of UK portfolios. He was previously an investment director at Scottish Widows Investment Partnership from 2002 to 2004. Prior to that, he spent thirteen years with Standard Life Investments, where he had experience in managing both UK large cap and small cap portfolios.

**Anthony Mather (43) BA, ASIP** Tony is an Investment Partner with Edinburgh Partners. He is responsible for research of global utilities, media and tobacco sectors, is a member of the UK equity team and manager of UK equity income portfolios. He was a member of the UK equity team at Scottish Widows Investment Partnership where he was a senior investment manager responsible for several retail funds. Prior to that he worked for Edinburgh Fund Managers for six years as a fund manager and had responsibility for several income and growth retail funds.

**Christine Montgomery (48)** Christine is an Investment Partner with Edinburgh Partners. She has research responsibility for the global retail and insurance sectors. From 2001 to 2007 at Franklin Templeton she helped build the institutional separate account business in Europe and the Middle East. Prior to that she spent twelve years at Aegon, where she held a number of positions including head of equities and head of fixed interest.

**George Ritchie (46)** George is an Investment Partner with Edinburgh Partners. He has responsibility for researching the global industrials sector. From 1996 to 2007 at Franklin Templeton he managed a range of institutional and retail funds as well as having research responsibilities. Prior to that he spent eleven years at Standard Life, where he was responsible for UK equity research and the management of both segregated pension funds and the UK life fund.

**Dale Robertson (38) BComm, CA, ASIP** Dale is an Investment Partner with Edinburgh Partners. He has research responsibility for the global banking sector and manages Edinburgh Partners' European portfolios. Previously he spent two years at Scottish Widows Investment Partnership where he managed European equity growth funds. Prior to that he worked for Edinburgh Fund Managers.

**Robin Weir (43) BA (Hons)** Robin is an Investment Partner with Edinburgh Partners and has responsibility for global and international portfolios and for researching the global pharmaceuticals sector. He was previously a European equity research manager at Scottish Widows Investment Partnership. Prior to that he spent ten years at Murray Johnstone, where he was UK equity investment director. He began his investment career with Nomura International in London and Tokyo.

## DIRECTORS AND CORPORATE INFORMATION

All of the Directors are non-executive and independent of the Investment Manager.

### **John Pearmund (Chairman)**

John Pearmund, aged 56, a Chartered Accountant, is chief executive of Domestic & General Group Limited and was formerly chief executive of Freemans PLC and a director of Sears plc. He was appointed a Director of Anglo & Overseas Plc at the launch of the Company on 21 June 2005.

### **Christopher Duffett**

Christopher Duffett, aged 66, is chairman of the Company's Remuneration & Management Engagement and Nomination Committees. He was managing director of The Law Debenture Corporation p.l.c from 1988 until 2002. He is a former chairman of the Association of Investment Companies and formerly a member of the Takeover Panel. He was appointed a Director of Anglo & Overseas Plc at the launch of the Company on 21 June 2005.

### **John Sussens**

John Sussens, aged 64, is senior independent director of Admiral Group plc and Cookson Group plc. He was a non-executive director of Chubb plc and Searchspace Limited and group managing director of Misys plc. He was appointed a Director of Anglo & Overseas Plc at the launch of the Company on 21 June 2005.

### **Giles Weaver**

Giles Weaver, aged 63, a Chartered Accountant, is the Senior Independent Director of the Company and is chairman of the Audit Committee. He is chairman of Helical Bar plc, Charter European Trust plc, AH Medical Properties plc and Kenmore European Industrial Fund Ltd and non-executive director of Aberdeen Asset Management plc as well as a number of other investment companies. He was formerly executive chairman of Murray Johnstone Limited. He was appointed a Director of Anglo & Overseas Plc at the launch of the Company on 21 June 2005.

### **Secretary and Registered Office**

Kenneth J Greig  
Beaufort House  
51 New North Road  
Exeter EX4 4EP

### **Investment Manager**

Edinburgh Partners Limited  
12 Charlotte Square  
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Tel: 0131 270 3800  
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### **Auditors**

KPMG Audit Plc  
1 Canada Square  
Canary Wharf  
London E14 5AG

### **Registrar and Transfer Office**

Computershare Investor Services PLC  
The Pavilions  
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### **Marketing Adviser**

G&N Collective Funds Services Limited  
14 Alva Street  
Edinburgh EH2 4QG

### **Solicitor**

Norton Rose LLP  
3 More London  
Riverside  
London SE1 2AQ

### **Bankers and Custodian**

The Bank of New York Mellon  
1 Canada Square  
Canary Wharf  
London E14 5AL

### **Stockbroker**

JP Morgan Cazenove Limited  
20 Moorgate  
London EC2R 6DA

## DIRECTORS' REPORT

The Directors present their Annual Report and Financial Statements for the year to 31 July 2009.

The Company was incorporated on 12 May 2005 and it commenced trading on 29 July 2005.

### **Business review**

Financial reporting requirements direct that the Company is required to provide a business review within the Directors' Report. The business review must contain a review of the Company's business, the principal risks and uncertainties it faces, an analysis of its performance during the financial period, the position at the period end and the future business plans of the Company. It must also provide information about the Company's environmental, social and ethical policy and about persons with whom the Company has contractual or other arrangements essential to the business of the Company. To aid understanding of these areas the Board is required to include analysis using appropriate Key Performance Indicators.

### *Forward looking statements*

This business review contains "forward looking statements" with respect to the Company's plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward looking statements involve risk and uncertainty because they relate to future events that are beyond the Company's control. Factors that could cause actual results to differ materially from those estimated by the forward looking statements include, but are not limited to:

- UK and overseas economic conditions
- UK and overseas equity market performance and prices
- Changes in Government policies, both in the UK and overseas
- Monetary and interest rate policies
- The impact of inflation and deflation
- Changes to regulations and taxes, both in the UK and overseas
- Changes to consumer saving or spending habits
- Foreign exchange rates
- The Company's success in managing its assets and business to manage the above factors
- The Company's use of gearing

As a result, the Company's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the Company's forward looking statements. The Company undertakes no obligation to update the forward looking statements contained within this review or any other forward looking statements it makes.

### *Business and status of the Company*

The Company is registered as a public limited company under the Companies Act 1985 and is an investment company within the terms of Section 833 of the Companies Act 2006. Its shares are listed on the Official List of the UK Listing Authority and traded on the main market of the London Stock Exchange. The Company has received approval from the Inland Revenue as an authorised investment trust under Section 842 of the Income and Corporation Taxes Act 1988 ("ICTA") for the year ended 31 July 2008 and all previous periods. This approval is subject to there being no subsequent enquiry under corporation tax self-assessment. In the opinion of the Directors, the Company continues to direct its affairs so as to enable it to qualify for such approval and the Company will continue to seek approval under Section 842 each year.

### *Objective*

The investment objective of the Company is to provide shareholders with above average returns over the longer term through both capital appreciation and income growth.

### *Investment policy*

#### Asset allocation

The Company's investment policy is to invest in a focused portfolio comprising principally securities of publicly quoted companies worldwide which the Investment Manager considers to be undervalued on the basis of their earnings potential. The Company may also invest up to 5 per cent of its gross assets in unquoted securities and up to 10 per cent of its gross assets in other listed investment companies or funds, including investment trusts. The Company's portfolio will be constructed without reference to either the composition of any stock market index or any geographic, industrial or sectoral asset allocation limits.

Where the Investment Manager believes market or economic conditions make equity investment unattractive or while seeking appropriate investment opportunities for the portfolio or to maintain liquidity, the Company may invest in bonds and other debt instruments, cash, cash equivalents or short-term deposits. The proportion of the Company's assets which may be invested in this way will vary according to the Investment Manager's view of market or economic conditions and the availability of suitable equity investment opportunities. In the unlikely event of very extreme conditions, 100 per cent of the portfolio could be so invested, although the use of such investments is not expected normally to exceed 30 per cent of gross assets. In addition, the Company may purchase derivatives for the purposes of efficient portfolio management (i.e. for the purpose of reducing, transferring or eliminating investment risk in its investments, including protection against currency risk).

#### Risk diversification

In order to spread risk, the portfolio will normally consist of between 40 and 70 equity investments in publicly quoted companies. No single investment will represent more than 15 per cent of the Company's gross assets at the time of its acquisition.

#### Gearing

The Company's policy on gearing is not to have fixed or structural gearing, but the Company may from time to time, when deemed appropriate, borrow for investment purposes in various currencies to suit investment conditions. This gearing will not exceed 20 per cent of shareholders' funds at the time of borrowing. This is intended to enhance the Company's ability to take advantage of future investment opportunities identified by the Investment Manager, subject always to the Board's overall control in relation to borrowings.

### *Investment strategy*

The Company is managed without reference to any stock market index. Investments are selected for the portfolio only after extensive research which the Investment Manager believes to be key. The whole process through which an equity must pass in order to be included in the portfolio is very rigorous. Only a security where the Investment Manager believes that the price will be significantly higher in the future will pass the selection process. The Company's Investment Manager believes the key to successful stock selection is to identify the long-term value of a company's shares and to have the patience to hold the shares until that value is appreciated by other investors. Identifying long-term value involves detailed analysis of a company's earning prospects over a five-year time horizon.

The Company's Investment Manager is Edinburgh Partners Limited, which is an independent specialist investment manager focusing exclusively on achieving above average returns for investors based on global investment analysis of the highest quality. The founders of Edinburgh Partners include experienced investment professionals with strong investment performance records who believe rigorous fundamental research allied to patience is the basis of long-term investment success. Each of the investment professionals has specific responsibilities for sector and regional research in addition to their fund management role.

## DIRECTORS' REPORT - continued

Edinburgh Partners is committed to investment trusts as flexible, long-term savings vehicles and intends that they should form an important component of its business offering.

### *Portfolio analysis*

The Company has and intends to observe the investment restrictions necessary to achieve and maintain approved investment trust status in the United Kingdom and to comply with the Listing Rules. No single investment will represent more than 15 per cent of the Company's gross assets at the time of its acquisition.

A detailed review of how the Company's assets have been invested is contained in the Manager's Report and Portfolio Analysis on pages 5 and 6. A detailed list of all the Company's investments is contained in the Portfolio of Investments on pages 7 and 8. The Portfolio of Investments details that the Company held 59 investments, excluding cash and other net assets, as at 31 July 2009, with the largest investment representing 3.4% of net assets, thus ensuring that the Company has a suitable spread of investment risk. A sector and geographical distribution is shown on page 9.

### *Principal risks and uncertainties*

The principal risks facing the Company relate to the Company's investment activities. An explanation of these risks and how they are managed is contained in note 18 on pages 44 to 48. These risks are: investment and strategy risk; discount volatility risk; market risk (comprising: interest rate risk, currency risk and other price risk); liquidity risk; credit risk and gearing risk.

In addition, the Board also considers the following as principal risks:

#### Regulatory risk

Failure to qualify under the terms of Section 842 of the ICTA may lead to Anglo & Overseas Plc being subject to capital gains tax. A breach of the Listing Rules of the Financial Services Authority ("FSA") may result in censure by the FSA and/or the Company's suspension from Listing.

The Investment Manager is responsible for certain administrative matters including regulatory compliance. Accordingly, the Board has agreed service levels with the Investment Manager which includes active and regular review of compliance with the ICTA and FSA requirements. These checks are reviewed monthly and at each Board meeting.

#### Operational risk

In common with most other investment companies the Company has no employees; the Company therefore relies upon the services provided by third parties. There are a number of operational risks associated with the fact that third parties undertake the Company's administration and custody. The main risk is that the third parties may fail to ensure that statutory requirements, such as compliance with the Companies Act and FSA Listing Rules are met.

The Board regularly receives and reviews management information on third parties which the Secretary compiles. In addition, each of the third parties provides a copy of its report on internal controls (AAF, SAS 70 or equivalent) to the Board each year.

#### Financial risk

Inappropriate accounting policies or failure to comply with current or new accounting standards may lead to a breach of regulations.

The Board employs independent administrators to prepare all Financial Statements and the Audit Committee meets with the independent Auditor at least once a year to discuss all financial matters including appropriate accounting policies.

The Company is a member of the Association of Investment Companies ("AIC"), a trade body intended to promote investment trusts which also develops best practice for all of its members.

#### Key personnel risk

There is a risk that key personnel within the Investment Manager might leave Edinburgh Partners or may no longer be involved in the management of the Company's portfolio. The Investment Manager has in place an insurance policy covering key personnel. The Investment Management Agreement provides for termination in the event that certain key personnel are no longer involved in the management of Anglo & Overseas Plc. Further details of the Investment Management Agreement are on page 17.

The Board undertakes an annual assessment and review of all the risks stated above and in note 18 on pages 44 to 48 together with a review of any new risks which may have arisen during the year. These risks are formalised within the Company's risk assessment matrix.

#### Performance

Results and dividends: The results for the year ended 31 July 2009 are set out in the Income Statement on page 31 and in the Reconciliation of Movements in Shareholders' Funds on page 33.

The Directors recommend a final dividend of 2.08p (2008: 2.04p) per Ordinary Share to be paid on 4 December 2009 to shareholders on the register as at the close of business on 30 October 2009. The ex-dividend date will be 28 October 2009. Subject to shareholders approving the final dividend, the total dividend for the year ended 31 July 2009, including the interim dividend of 0.82p (2008: 0.80p) will be 2.90p (2008: 2.84p).

Further information on the performance of the Company may be found in the Chairman's Statement on pages 3 and 4 and the Manager's Report and Portfolio Analysis on pages 5 and 6.

Net asset value: The net asset value ("NAV") per Ordinary Share, including revenue reserves, as at 31 July 2009 was 96.80p (2008: 105.04p).

#### Key performance indicators ("KPIs")

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The KPIs used to measure progress and performance of the Company over time are established industry measures and are as follows:

- NAV per Ordinary Share
- Share price
- Discount/premium to NAV
- Revenue return per Ordinary Share
- Dividend per Ordinary Share
- Portfolio turnover
- Total expense ratio

The records of the KPIs are shown below:

	31 July 2009	31 July 2008	Change
Net asset value per Ordinary Share	<b>96.80p</b>	105.04p	(7.8)%
Share price per Ordinary Share	<b>89.75p</b>	90.00p	(0.3)%
Discount to NAV	<b>7.3%</b>	14.3%	
	Year to 31 July 2009	Year to 31 July 2008	
Revenue return per Ordinary Share	<b>3.17p</b>	3.41p	
Dividend per Ordinary Share	<b>2.90p</b>	2.84p	
Portfolio turnover	<b>43%</b>	54%	
Total expense ratio	<b>0.9%</b>	0.9%	

## DIRECTORS' REPORT - continued

### *Current and future developments*

A review of the main features of the year and the outlook for the coming year is to be found in the Chairman's Statement on pages 3 and 4 and in the Manager's Report and Portfolio Analysis on pages 5 and 6. The Board's main focus is on the investment return and investment approach. Attention is paid to the integrity and success of the investment approach and on factors which may have an impact on this approach. Due regard is paid to the promotion of the Company including communication with shareholders and other external parties. The Board is regularly updated on wider investment trust industry issues. Detailed papers are presented to the Board which lead to extensive discussion on development and strategy.

### *Social, environmental and ethical policy*

Anglo & Overseas Plc seeks to invest in companies that are well managed, with high standards of corporate governance, as the Directors believe this creates the proper conditions to enhance long-term value for shareholders. In aiming to achieve a high level of corporate performance the Company adopts a positive approach to corporate governance and engagement with companies.

In pursuit of the above objective, the Directors believe that proxy voting is an important part of the corporate governance process and considers seriously its obligation to manage the voting rights of companies in which it is invested, for which it has delegated responsibility to its Investment Manager. It is the policy of the Company to vote, as far as is practicable, at all shareholder meetings of investee companies. The Company follows the relevant applicable regulatory and legislative requirements in the UK, with the guiding principles being to make proxy voting decisions which favour proposals that will lead to maximising shareholder value while avoiding any conflicts of interest. Voting decisions are taken on a case by case basis, with the key issues on which the Investment Manager focuses being corporate governance, including disclosure and transparency, board composition and independence, control structures, remuneration and social and environmental issues.

### **Donations**

The Company made no political or charitable donations during the year.

### **Purchase of own shares**

At the Annual General Meeting held on 12 November 2008 the Directors were granted the authority to purchase up to 14.99% of the Company's Ordinary Shares (either for cancellation or for placing into treasury). Any buy-backs of shares have been made within the guidelines established from time to time by the Board. In total the authority granted amounted to 11,847,778 Ordinary Shares. During the year ended 31 July 2009, 3,920,251 shares (with a nominal value of £392,025) were purchased for cancellation, representing 4.63% of the issued share capital at the year end, for an aggregate amount of £3,275,000. The Company also cancelled during the year 436,000 shares (with a nominal value of £43,600) from treasury, representing 0.52% of the issued share capital at the year end. The shares were cancelled from treasury in order to ensure that the number of own shares held in treasury at any one time did not exceed the limit prescribed by the Companies (Acquisition of own shares) (Treasury shares) Regulations 2003 (the "Regulations"), being 10% of the issued share capital at any one time. The maximum number of own shares held in treasury during the year was 8,893,438 shares (with a nominal value of £889,344) representing 10% of the issued share capital of 88,938,819 Ordinary Shares at the time they were held in treasury.

The total number of own shares held in treasury as at 31 July 2009, including those shares bought back in prior accounting periods, totalled 8,457,438 Ordinary Shares.

Subsequent to the year end and up to the date of this report, a further 1,177,249 shares (with a nominal value of £117,725) were purchased for cancellation representing 1.41% of the issued share capital at the date of this report, for an aggregate amount of £1,122,000. In addition, 130,000 shares (with a nominal value of £13,000) were cancelled from treasury, representing 0.16% of the issued share capital at the date of this report. The total number of own shares held in treasury at the date of this report is 8,327,438 shares, representing 10% of the issued share capital.

**Issue of shares from treasury**

The Board has the facility to authorise the sale of shares from treasury at prices at or above the net asset value per share (plus costs of the relevant sale). In the future the Directors will consider selling shares from treasury in order to meet demand as it arises. This should result in a positive overall effect on the net asset value per share if shares are bought back at a discount and then sold at a price at or above the net asset value per share.

During the year ended 31 July 2009, in accordance with the Regulations, the Company was permitted to hold up to 10% of its issued Ordinary Shares in treasury at any one time. From 1 October 2009, in accordance with the Companies (Share Capital and Acquisition by Company of its Own Shares) Regulations 2009, there is no longer a limit on the number of shares that a company can hold in treasury at any one time. Holding shares in treasury enables a company to issue shares cost effectively that might otherwise have been cancelled. The Board has set no limit on the number of shares that can be held in treasury at any one time.

**Investment Management Agreement**

The Company's investments are managed by Edinburgh Partners Limited under an Investment Management Agreement dated 23 June 2005 (the "Investment Management Agreement"). Edinburgh Partners receives a management fee of 0.125 per cent per quarter of the market capitalisation of the issued Ordinary Shares, payable quarterly in arrears. In addition it receives an administration fee (£113,000 per annum for the year ended 31 July 2009), payable quarterly in arrears and adjusted annually in line with changes in the Retail Prices Index. The Investment Management Agreement is terminable by 12 months' notice by either party. The Company may terminate the agreement with less than 12 months' notice; however, it may be required to pay liquidated damages for early termination, unless certain specific circumstances set out in the agreement are met.

**Continuing appointment of the Investment Manager**

The Company keeps the performance of the Investment Manager under review through the Remuneration and Management Engagement Committee. It is the opinion of the Directors that the continuing appointment of Edinburgh Partners is in the interests of shareholders as a whole. The reasons for these views are that the Directors are confident that the long-term investment strategy of Edinburgh Partners will ensure that the Company's objective of providing above average returns over the longer term through both capital appreciation and income growth will be achieved. The remuneration of the Investment Manager is considered reasonable both in absolute terms and compared with that of managers of comparable investment companies. The Directors believe that by paying the Investment Management fee calculated on a market capitalisation basis, rather than a percentage of assets basis, the interests of the Investment Manager are more closely aligned with those of shareholders.

**Related party**

Edinburgh Partners, as Investment Manager of the Company, is considered to be a related party by virtue of its management contract with the Company. During the year ended 31 July 2009, services with a total value of £444,000 (31 July 2008: £539,000) were purchased by the Company from Edinburgh Partners. At 31 July 2009, the amount due to Edinburgh Partners, disclosed under creditors, was £112,000 (31 July 2008: £123,000).

**Directors**

The Directors who held office during the year (and at the date of this Report) are as shown below. Further information on the Directors can be found on page 11.

Robert Alcock (retired on 12 November 2008)

John Pearmund

Christopher Duffett

John Sussens

Giles Weaver

## DIRECTORS' REPORT - continued

On 12 November 2008, Robert Alcock, the Chairman of the Company, retired from office. Since 12 November 2008 John Pearmund has been the Chairman of the Company. He has sufficient time to fulfil all duties required as Chairman of the Company. All of the Directors are non-executive and independent of the Investment Manager. None of the Directors has a contract of service with the Company. Other than their letters of appointment as Directors there has not been any contract or arrangement between the Company and any Director at any time during the year. These letters of appointment are available for inspection on request. The Directors are not entitled to any compensation on loss of office.

The Company's Articles of Association require that at each annual general meeting any Director who was elected or last re-elected at or before the annual general meeting held in the third calendar year before the current year must automatically retire. In addition, any Director who has been with the Company for a continuous period of nine years or more must retire, although they are free to seek re-election. The Board believes that the Articles provide an appropriate way of ensuring the Board's accountability to shareholders and its independence from the Investment Manager.

At the forthcoming Annual General Meeting, John Sussens will retire as a Director of the Company and will offer himself for re-election. The Board strongly recommends the re-election of John Sussens to shareholders, on the basis of his individual expertise and experience in investment matters and his continuing effectiveness and commitment to the Company.

A process of performance evaluation has been undertaken by which the performance of the Chairman, each Director and the Board as a whole has been evaluated in respect of the year ended 31 July 2009. This evaluation consisted of a questionnaire based approach, the results of which were discussed in detail between the Chairman and each of the Directors. It is the Board's intention that this process be undertaken on an annual basis.

The Directors of the Company receive daily notification of the net asset value and a monthly report from the Investment Manager and meet formally at least four times a year to review and receive reports from Edinburgh Partners on a full range of relevant matters, including investments, marketing, administration, financial information and risks. The number of Board meetings held during the year and the attendance of each Director in office at the date of this report is shown below:

Number of Board meetings held during the year:	4
Number of meetings attended by each Director:	
John Pearmund	4
Christopher Duffett	4
John Sussens	4
Giles Weaver	4

Subsequent to the year end, one further Board meeting has been held which was attended by all of the Directors. In addition to these meetings, a number of Board Committee meetings held by telephone conference facility were held during the year to deal with specific matters.

### Directors' interests

The interests of the Directors and their connected persons in the Ordinary Shares of the Company are set out below:

	31 July 2009	1 August 2008
<b>Ordinary Shares:</b>		
John Pearmund	49,245	35,230
Christopher Duffett	73,613	73,613
John Sussens	5,000	5,000
Giles Weaver	240,000	240,000

There have been no changes to these holdings between 31 July 2009 and the date of this report.

None of the Directors or any persons connected with them had a material interest in the Company's transactions, arrangements or agreements during the year.

#### **Voting rights**

One vote is attached to each Ordinary Share in issue. Own shares held in treasury do not carry voting rights. The total voting rights of the Company at the year end were 76,125,130 Ordinary Shares. The total voting rights of the Company as at the date of this report are 74,947,881 Ordinary Shares. There are no restrictions on the transfer of the Company's shares or special rights attached to these shares regarding control.

#### **Substantial share interests**

At the date of this report, the Company has been informed of the following notifiable substantial interests in the Company's voting rights:

	No. of Shares	% of voting rights
John Leng & Co (wholly owned subsidiary of DC Thomson & Co)	3,541,950	4.73
Legal & General Group Plc	2,993,728	3.99

#### **Corporate governance**

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"), both of which can be found on the AIC website [www.theaic.co.uk](http://www.theaic.co.uk). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the 2008 Combined Code on Corporate Governance (the "Combined Code") as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code on Corporate Governance (the "Combined Code")), will provide better information to shareholders. A copy of the Combined Code can be found at [www.frc.org.uk](http://www.frc.org.uk).

The Board considers that it has managed its affairs throughout the year ended 31 July 2009 in compliance with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below. The Combined Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and in the preamble to the AIC Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment trust. The Company has therefore not reported further in respect of these provisions.

#### **Board of Directors**

The Chairman and each of the Directors is independent of the Investment Manager. Each member of the Board is non-executive. Brief biographical details of the Directors can be found on page 11.

The Board has appointed Giles Weaver as the Company's Senior Independent Director.

Representatives from the Investment Manager are invited to Board meetings to provide reports on investments, marketing, financial, operational and administrative matters.

## DIRECTORS' REPORT - continued

The Directors have adopted a formal schedule of matters reserved for the Board's decision that cannot be delegated to a Committee nor to any other party. These reserved matters include approval of annual and half yearly reports and accounts, circulars and other shareholder communications, appointment and removal of Board members, service providers and officers of the Company, changes to the Company's objectives and accounting policies and any major investment decisions, the use of gearing and a number of specific matters relating to the Company's investments that require Board approval under the Investment Management Agreement.

The Board delegates decisions regarding the day-to-day investment of the Company's portfolio to the Investment Manager. The Investment Manager is also authorised by the Board to exercise the Company's voting rights in respect of those investments held in its portfolio.

### **Conflicts of interest**

On 1 October 2008 it became a statutory requirement that a Director must avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests (a "situational conflict"). The Company's Articles of Association were amended at the last Annual General Meeting to give the Directors authority to approve such situations, where appropriate.

It is the responsibility of each individual Director to avoid an unauthorised conflict situation arising. He must request authorisation from the Board as soon as he becomes aware of the possibility of a situational conflict arising.

The Board is responsible for considering Directors' requests for authorisation of situational conflicts and for deciding whether or not the situational conflict should be authorised. The factors to be considered will include whether the situational conflict could prevent the Director from properly performing his duties, whether it has, or could have, any impact on the Company and whether it could be regarded as likely to affect the judgment and/or actions of the Director in question. When the Board is deciding whether to authorise a conflict or potential conflict, only Directors who have no interest in the matter being considered are able to take the relevant decision, and in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate in the circumstances.

A register of conflicts is maintained by the Company Secretary and is reviewed at quarterly Board meetings, to ensure that any authorised conflicts remain appropriate. Directors are required to confirm at these meetings whether there has been any change to their position.

The Directors must also comply with the statutory rules requiring company directors to declare any interest in an actual or proposed transaction or arrangement with the Company.

### **Committees of the Board**

The Board has appointed a number of Committees, as set out below, to assist its operations. Each Committee's delegated responsibilities are clearly defined in formal terms of reference, copies of which are available from the Company's Registered Office. The Chairman of each of the Committees will be present at the Annual General Meeting.

#### **Audit Committee**

Until 12 November 2008, the Audit Committee was chaired by John Pearmund. Since 12 November 2008 the Audit Committee has been chaired by Giles Weaver. All Directors of the Company, including the Chairman of the Company, are members of this Committee to enable them to be kept fully informed of any issues that may arise. The Directors believe that Mr Weaver, a Chartered Accountant, has relevant financial knowledge and experience to enable him to chair this Committee effectively.

The Audit Committee provides a forum through which the Company's external Auditor reports to the Board of Directors. The Committee makes recommendations to the Board on the remuneration and terms of appointment of the Auditor, and monitors the Auditor's independence, objectivity and effectiveness and the provision of non-audit services by the Auditor. No non-audit services were provided in the year (2008: nil).

The Audit Committee reviews the effectiveness of the Company's financial reporting and internal control policies and is responsible for monitoring the integrity of the Financial Statements and accounting policies of the Company.

The Committee meets at least twice at the time of the annual and half year results of the Company, and meets with the Auditor, without the Manager being present, at least once a year. Two meetings of the Audit Committee were held during the year and these meetings were attended by all members of the Committee. One further meeting of the Committee has been held subsequent to the year end, which was attended by all members of the Committee.

#### **Remuneration and Management Engagement Committee**

The Remuneration and Management Engagement Committee comprises all members of the Board and is chaired by Christopher Duffett.

The Committee meets at least once a year to review the terms of the Investment Management Agreement, assess the continuing appointment of the Investment Manager and the Company's other service providers and agree the remuneration of the Directors. One meeting of the Remuneration and Management Engagement Committee was held during the year and this meeting was attended by all members of the Committee. One further meeting of the Committee has been held subsequent to the year end, which was attended by all members of the Committee.

Full details of the remuneration arrangements for Directors can be found in the Directors' Remuneration Report on pages 26 and 27.

#### **The Nomination Committee**

The Nomination Committee comprises the entire Board and is chaired by Christopher Duffett. This Committee will meet as required to consider appointments to the Board and the re-election of Directors. Two meetings of the Nomination Committee were held during the year and these meetings were attended by all members of the Committee. One further meeting of the Committee has been held subsequent to the year end, which was attended by all members of the Committee.

#### **Independent professional advice, insurance and indemnity**

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may seek independent professional advice at the expense of the Company. The Company also maintains directors' and officers' liability insurance to cover legal defence expenses.

The Company's Articles of Association provide the Directors of the Company, subject to the provisions of the UK legislation, with an indemnity in respect of liabilities which they may sustain or incur in connection with their appointment. Save for this, there are no qualifying third party indemnity provisions in force.

#### **Internal control review**

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

An ongoing process, in accordance with the guidance of the Financial Reporting Council on internal controls, has been implemented for identifying, evaluating and managing risks faced by the Company. This process has been in place throughout the year and up to the date the Financial Statements were approved. Key procedures established with a view to providing effective financial control have also been in place for the full year under review and up to the date the Financial Statements were approved.

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

## DIRECTORS' REPORT - continued

### *Internal control assessment process*

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

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

Against this background, the Board has split the review of risk and associated controls into four sections reflecting the nature of the risks being addressed. These sections are as follows:

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

The Company has appointed agents (including Edinburgh Partners) to provide administrative services to the Company. In performing its functions, Edinburgh Partners delegates certain administrative tasks to third parties. The Company has obtained from Edinburgh Partners and the other service providers assurances and information relating to their internal systems and controls to enable the Board to make an appropriate risk and control assessment, including the following:

- details of the control environment in operation;
- identification and evaluation of risks and control objectives;
- assessment of communication procedures;
- assessment of the control procedures; and
- details of the "whistle blowing" policy in place.

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

- investment management is provided by Edinburgh Partners. The Board is responsible for setting the overall investment policy and monitors the actions of the Investment Manager at regular Board meetings;
- administration and company secretarial duties for the Company are performed by Edinburgh Partners. Kenneth J Greig, a director of Edinburgh Partners, is the Company Secretary and Capita Sinclair Henderson Limited provides certain accounting, administrative and secretarial support services to Edinburgh Partners;
- custody of assets is undertaken by The Bank of New York Mellon;
- the duties of investment management, accounting and the custody of assets are segregated. The procedures of the individual parties are designed to complement one another;
- the Board clearly defines the duties and responsibilities of their agents and advisers. The appointment of agents and advisers to the Company is conducted by the Board after consideration of the quality of the parties involved; the Board monitors their ongoing performance and contractual arrangements;
- mandates for authorisation of investment transactions and expense payments are set by the Board; and
- the Board reviews financial information produced by the Investment Manager and Capita Sinclair Henderson Limited in detail on a regular basis.

All of the Company's management functions are performed by third parties whose internal controls are reviewed by the Board or on its behalf by Edinburgh Partners.

In accordance with guidance issued to directors of listed companies, the Directors confirm that they have carried out a review of the effectiveness of the system of internal financial control during the year, as set out above.

#### **The Company Secretary**

The Board has direct access to the advice and services of the Company Secretary, Kenneth J Greig, who is responsible for ensuring that Board and Committee procedures are followed and that the applicable regulations are complied with. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports and also for compliance with the statutory obligations of the Company.

#### **Relations with shareholders**

Communication with shareholders is given a high priority by both the Board and the Investment Manager. The Directors have a policy of maintaining regular contact with major shareholders and are always available to enter into dialogue with shareholders in general. All shareholders are encouraged to attend and vote at the Annual General Meeting during which the Board and Investment Manager are available to discuss issues affecting the Company. Shareholders wishing to communicate directly with the Board should contact the Company Secretary at the registered office address.

Copies of the Half-yearly and Annual Reports are dispatched to shareholders by mail and are also available for downloading from the Company's website [www.angloandoverseasplc.com](http://www.angloandoverseasplc.com).

#### **Going concern**

After due consideration, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the Financial Statements.

#### **Payment of suppliers**

It is the Company's payment policy to obtain the best possible terms for all business and, therefore, there is no consistent policy as to terms used. The Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by those terms.

There were no trade creditors at 31 July 2009 (31 July 2008: nil).

#### **Section 992 Companies Act 2006**

The following information is disclosed in accordance with Section 992 of the Companies Act 2006 and DTR 7.2.6 of the FSA Disclosure and Transparency Rules.

- The Company's capital structure and voting rights are summarised on pages 1 and 19.
- Details of the substantial shareholders in the Company are listed on page 19.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are detailed on page 18.
- The giving of powers to issue or buy back the Company's shares requires a special resolution to be passed by shareholders. The Board's current powers to buy back shares are stated on page 16.
- There are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no restrictions on voting rights; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

**Auditor**

A resolution to re-appoint KPMG Audit Plc as Auditor to the Company will be put to shareholders at the forthcoming Annual General Meeting.

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

**Special Business at the Annual General Meeting**

At the Annual General Meeting held on 12 November 2008 the Company was granted authority to purchase up to 14.99% of the Company's Ordinary Shares. Further details can be found on page 16. As at the date of this report, the Company may purchase up to 7,757,778 Ordinary Shares under this existing authority.

Resolution 7 (a Special Resolution), if passed, will renew this authority and authorise the Company to purchase in the market (either for cancellation or placing into treasury) up to 11,234,687 Ordinary Shares (being approximately 14.99% of the issued share capital (excluding treasury shares) as at the date of this report) or, if less, 14.99% of the issued share capital (excluding treasury shares) immediately following the passing of the Resolution. In accordance with the Listing Rules of the FSA, the price paid for shares will be not less than 10p per Ordinary Share and not more than the higher of (i) 5% above the average mid-market prices of those shares as derived from the Daily Official List of the London Stock Exchange for the five business days before the shares are purchased and (ii) the amount stipulated by Article 5(1) of the Buy-Back and Stabilisation Regulation (being a price higher than the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out). It is the Board's policy that purchases of shares will only be made through the market for cash at prices below the prevailing net asset value of the shares where the Directors believe that such purchases will enhance shareholder value. Shares purchased will be cancelled or placed into treasury at the determination of the Directors. The authority, if given, will lapse at the next Annual General Meeting of the Company after the passing of this Resolution.

Resolution 8 (an Ordinary Resolution), if passed, will authorise the Directors' (pursuant to paragraph (A) of the Resolution) to allot shares up to an aggregate nominal value of £2,537,504, representing 25,375,040 Ordinary Shares (being approximately one-third of the issued share capital as at 31 July 2009 (excluding treasury shares)). In addition, in accordance with the guidance from the Association of British Insurers on the expectations of institutional investors in relation to the authority of directors to allot shares, paragraph (B) of Resolution 8 will authorise the Directors to allot additional Ordinary Shares up to a maximum nominal amount of £2,537,504, which is approximately a further one-third of the issued share capital as at 31 July 2009 (excluding treasury shares). However, the Directors will only be able to allot those shares for the purposes of a rights issue in which the new shares are offered to shareholders in proportion to their then shareholdings. The authority, if given, will lapse at the next Annual General Meeting of the Company after the passing of this Resolution. The authority will be used where the Directors consider it to be in the best interest of shareholders and shares will only be issued at a price at or above the prevailing net asset value per share.

Resolution 9 (a Special Resolution), if passed, will renew the Directors' authority to issue shares (i) by way of a rights issue (subject to certain exclusions), (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportion to their shareholdings (subject to certain exclusions) and (iii) to persons other than existing shareholders up to an aggregate nominal value of £761,251, representing 7,612,510 Ordinary Shares (being approximately 10% of the issued share capital (excluding treasury shares) as at 31 July 2009) without first having to offer such shares to existing shareholders. This authority relates to either issues of new shares or sales of own shares held in treasury. As at the date of this report, the Company holds 8,327,438 Ordinary Shares in treasury, representing 10% of the issued share capital. The authority, if given, will lapse at the next Annual General Meeting of the Company after the passing of this Resolution and shares will only be issued at a price at or above the prevailing net asset value per share.

Resolution 10 (a Special Resolution) relates to the notice period for general meetings. At last year's Annual General Meeting, new articles of association were adopted which included a provision allowing general meetings of the Company to be called on the minimum notice period provided for in the Companies Act 2006.

For meetings other than annual general meetings this is a period of 14 clear days.

The provisions in the Companies Act 2006 relating to meetings were amended on 3 August 2009 as a result of the implementation of the EU Shareholder Rights Directive (2007/36/EC) (the "Directive") in the UK. One of the amendments made was to increase the minimum notice period for listed company general meetings to 21 clear days, but with an ability for companies to reduce this period back to 14 clear days (other than for annual general meetings), provided that two conditions are met:

- (i) that the company offers facilities for shareholders to vote by electronic means; and
- (ii) that there is an annual resolution of shareholders approving the reduction in the minimum period for notice of general meetings (other than annual general meetings) from 21 clear days to 14 clear days.

The Board believes that it should have the flexibility to convene general meetings of the Company (other than annual general meetings) on 14 clear days' notice. The Board is therefore proposing Resolution 10 as a Special Resolution to approve 14 clear days as the minimum period of notice for all general meetings of the Company other than annual general meetings. The notice period for annual general meetings will remain 21 clear days. The authority, if given, will lapse at the next Annual General Meeting of the Company after the passing of this Resolution.

Resolution 11 (a Special Resolution), if passed, will adopt new Articles of Association. The changes in the proposed new Articles primarily reflect the implementation of the Directive and the coming into force of the remaining provisions of the Companies Act 2006. The principal differences from the existing Articles are set out in the Appendix on page 58. The proposed new Articles of Association are available for inspection as noted on page 57.

Resolution 12 (an Ordinary Resolution), if passed, will give the Company more flexibility to supply notices, documents or information in electronic form and by means of a website and permit the Company to use electronic means to convey information pursuant to the FSA's Disclosure Rules and Transparency Rules.

The passing of Resolution 12 will, in particular, allow the Company to take advantage of the deemed consent provisions in relation to the use of a website for the supply of notices, documents or other information introduced in Part 4 of Schedule 5 to the Companies Act 2006. These changes will, *inter alia*, enable the Company to treat a shareholder as having consented to the supply of notices, documents or information by making them available on the Company's website where such shareholder has been asked individually by the Company to agree to the supply of notices, documents or other information in this manner and such shareholder has not responded to the Company's request within 28 days from when such request was sent.

Shareholders should note that, even if Resolution 12 is passed, the Company cannot begin to communicate with shareholders by electronic means or through the use of a website unless and until shareholders have given individual consent (or, in the case of the use of a website, do not respond within the 28-day period referred to above). A shareholder may, if he or she wishes, continue to receive all company communications in hard copy form. Moreover, a shareholder may, in relation to a particular communication, request a hard copy form of that communication or, at any time, revoke his or her general agreement to be provided documentation in electronic form or by means of a website by delivering written notice of such revocation to the Company.

#### **Directors' recommendation**

The Directors consider each Resolution being proposed at the Annual General Meeting to be in the best interests of shareholders as a whole and they unanimously recommend that all shareholders vote in favour of them, as they intend to do so in respect of their own beneficial shareholdings.

By order of the Board  
**Kenneth J Greig**  
Secretary  
15 October 2009

## DIRECTORS' REMUNERATION REPORT

The Directors submit this Report in accordance with the requirements of Schedule 8 to The Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008. An Ordinary Resolution will be put to the members to approve this Report at the forthcoming Annual General Meeting.

The law requires the Company's Auditor to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on pages 29 and 30.

### Remuneration and Management Engagement Committee

Remuneration of the Directors is considered by the Remuneration and Management Engagement Committee. Details of this Committee can be found on page 21.

### Policy on Directors' fees

The Company follows the recommendation of the AIC Code that Directors' remuneration should reflect their duties, responsibilities and the value of their time spent. The Board's policy is that the remuneration of the Directors should reflect the experience of the Board as a whole, and is determined with reference to comparable organisations and appointments. There are no performance conditions attaching to the remuneration of the Directors as the Board does not believe that this is appropriate for non-executive Directors. It is intended that this policy will continue for the year ending 31 July 2010 and for subsequent financial years.

The fees of the Directors are determined within the limits set out in the Company's Articles of Association. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits, as the Board does not consider such arrangements or benefits necessary or appropriate.

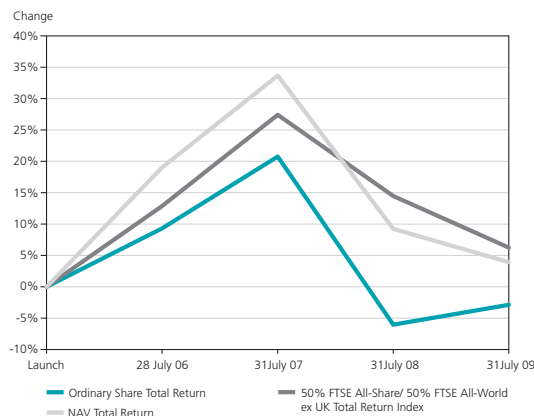
### Directors' service contracts

None of the Directors have a contract of service with the Company. Other than letters of appointment governing their appointment as Directors there has not been any contract or arrangement between the Company and any Director at any time during the year. The terms of their appointment provide that a Director shall retire and be subject to election at the first Annual General Meeting after his appointment and re-election at least every three years after that.

There is no notice period and no provision for compensation upon early termination of appointment.

### The Company's performance

The graph below compares the net asset value total return, the total shareholder return (share price assuming all dividends are reinvested), compared to a total shareholder return on a notional investment made up of shares equivalent to an index comprised of 50% of the FTSE All-Share Index and 50% of the FTSE All-World ex UK Index. Although the Company has no formal benchmark, this measure has been selected as it is considered to represent a broad equity market index against which the performance of the Company's assets may be adequately compared. The difference between the net asset value total return and the total shareholder return is due to the discount widening from a position of 0.1% premium at launch to a 7.3% discount as at 31 July 2009.



Source: Edinburgh Partners Limited

## DIRECTORS' REMUNERATION REPORT - continued

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

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

	Year to 31 July 2009	Year to 31 July 2008
	£	£
John Pearmund	<b>33,000</b>	26,000
Robert Alcock (retired 12 November 2008)	<b>10,000</b>	36,000
Christopher Duffett	<b>21,000</b>	21,000
John Sussens	<b>21,000</b>	21,000
Giles Weaver	<b>25,000</b>	21,000

The Chairman of the Company receives an annual emolument of £36,000, the Chairman of the Audit Committee £26,000 and other Directors £21,000. Robert Alcock retired as Chairman of the Board and as a Director of the Company on 12 November 2008. On 12 November 2008 John Pearmund was appointed Chairman of the Company, with Giles Weaver succeeding John Pearmund as Chairman of the Audit Committee and as Senior Independent Director.

### Approval

The Directors' Remuneration Report was approved by the Board on 15 October 2009 and signed on its behalf by:

### Christopher Duffett

Chairman of the Remuneration and Management Engagement Committee

## MANAGEMENT REPORT AND STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

### Management report

Listed companies are required by the FSA's Disclosure and Transparency Rules (the "Rules") to include a management report within their annual report and financial statements.

The information required to be included in the management report for the purpose of these Rules is included in the Chairman's Statement on pages 3 and 4, the Manager's Report and Portfolio Analysis on pages 5 and 6 and the Business Review contained in the Directors' Report on pages 12 to 16. Therefore no separate management report has been included.

The Financial Statements have been reviewed by the Company's Auditors.

### Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual 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 they have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

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

The Directors confirm to the best of their knowledge:

- the Financial Statements, prepared in accordance with UK Accounting Standards, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

**On behalf of the Board**

**John Pearmund**

Chairman

15 October 2009

## **INDEPENDENT AUDITORS' REPORT**

to the members of Anglo & Overseas Plc

We have audited the Financial Statements of Anglo & Overseas Plc for the year ended 31 July 2009 set out on pages 31 to 48. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with sections 495, 496 and 497 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 28, 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 the 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 web-site at [www.frc.org.uk/apb/scope/UKP](http://www.frc.org.uk/apb/scope/UKP).

### **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 31 July 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 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:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements and the part of the Directors' Remuneration Report to be audited 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.

**INDEPENDENT AUDITORS' REPORT - continued**  
to the members of Anglo & Overseas Plc

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 23, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

**Tom Brown (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
Chartered Accountants  
Registered Auditor  
1 Canada Square  
Canary Wharf  
London  
E14 5AG

15 October 2009

**INCOME STATEMENT**  
for the year ended 31 July 2009

	Notes	Year to 31 July 2009			Year to 31 July 2008		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments at fair value	8	–	(7,275)	(7,275)	–	(24,260)	(24,260)
Foreign exchange gains on capital items	8	–	24	24	–	476	476
Income	2	3,399	–	3,399	3,918	–	3,918
Investment management fee	3	(165)	(166)	(331)	(216)	(216)	(432)
Refund of VAT on investment management and administration fees	3	55	42	97	–	–	–
Other expenses	4	(389)	–	(389)	(467)	–	(467)
<b>Net return/(loss) before interest and taxation</b>		<b>2,900</b>	<b>(7,375)</b>	<b>(4,475)</b>	<b>3,235</b>	<b>(24,000)</b>	<b>(20,765)</b>
Interest paid		(3)	–	(3)	(5)	–	(5)
<b>Net return/(loss) before taxation</b>		<b>2,897</b>	<b>(7,375)</b>	<b>(4,478)</b>	<b>3,230</b>	<b>(24,000)</b>	<b>(20,770)</b>
Taxation	5	(412)	35	(377)	(338)	63	(275)
<b>Net return/(loss) after taxation</b>		<b>2,485</b>	<b>(7,340)</b>	<b>(4,855)</b>	<b>2,892</b>	<b>(23,937)</b>	<b>(21,045)</b>
<b>Return per Ordinary Share*</b>	7	<b>pence 3.17</b>	<b>pence (9.35)</b>	<b>pence (6.18)</b>	<b>pence 3.41</b>	<b>pence (28.20)</b>	<b>pence (24.79)</b>

\* Based on the weighted average number of Ordinary Shares in issue during the year (excluding own shares held in treasury).

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

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital return columns are prepared under guidance published by the Association of Investment Companies ("AIC").

A separate Statement of Total Recognised Gains and Losses has not been prepared as all such gains and losses are included in the Income Statement.

The notes on pages 36 to 48 form part of these Financial Statements.

**BALANCE SHEET**  
as at 31 July 2009

	Notes	31 July 2009 £'000	31 July 2008 Restated* £'000
<b>Fixed assets:</b>			
Investments at fair value through profit or loss	8	<b>71,835</b>	82,987
<b>Current assets:</b>			
Debtors	10	<b>592</b>	474
Cash at bank and short-term deposits		<b>1,845</b>	2,352
		<u><b>2,437</b></u>	<u>2,826</u>
<b>Creditors - amounts falling due within one year</b>	11	<b>583</b>	1,737
<b>Net current assets</b>		<u><b>1,854</b></u>	<u>1,089</u>
<b>Net assets</b>		<u><b>73,689</b></u>	<u>84,076</u>
<b>Capital and reserves:</b>			
Called-up share capital	14	<b>8,458</b>	8,894
Special reserve		<b>67,233</b>	70,508
Capital redemption reserve		<b>564</b>	128
Capital reserve		<b>(5,983)</b>	1,357
Distributable revenue reserve		<b>3,417</b>	3,189
<b>Total equity shareholders' funds</b>		<u><b>73,689</b></u>	<u>84,076</u>
<b>Net asset value per Ordinary Share</b>	15	<u>pence <b>96.80</b></u>	<u>pence 105.04</u>

\* Previously the cost of own shares held in treasury was shown as a separate reserve. In accordance with the AIC Statement of Recommended Practice issued in January 2009, the cost of own shares held in treasury is now reflected as a deduction from the special reserve.

These financial statements were approved by the Board of Directors on 15 October 2009.

**John Pearmund**  
Chairman

The notes on pages 36 to 48 form part of these Financial Statements.

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
for the year ended 31 July 2009

	Notes	Called-up share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Distributable revenue reserve £'000	Own shares held in treasury £'000	Total equity shareholders' funds £'000
<b>Year ended 31 July 2009</b>								
As at 31 July 2008		<b>8,894</b>	<b>79,949</b>	<b>128</b>	<b>1,357</b>	<b>3,189</b>	<b>(9,441)</b>	<b>84,076</b>
Transfer of own shares held in treasury*		–	<b>(9,441)</b>	–	–	–	<b>9,441</b>	–
As at 31 July 2008 (restated)		<b>8,894</b>	<b>70,508</b>	<b>128</b>	<b>1,357</b>	<b>3,189</b>	–	<b>84,076</b>
Cost of own shares bought for cancellation		<b>(392)</b>	<b>(3,275)</b>	<b>392</b>	–	–	–	<b>(3,275)</b>
Cost of own shares cancelled from treasury		<b>(44)</b>	–	<b>44</b>	–	–	–	–
Movement in fair value of investments	8	–	–	–	<b>9,351</b>	–	–	<b>9,351</b>
Net loss on realisation of investments	8	–	–	–	<b>(16,626)</b>	–	–	<b>(16,626)</b>
Foreign exchange gains on capital items	8	–	–	–	<b>24</b>	–	–	<b>24</b>
Dividends paid in the year	6	–	–	–	–	<b>(2,257)</b>	–	<b>(2,257)</b>
Investment management fee	3	–	–	–	<b>(166)</b>	–	–	<b>(166)</b>
Refund of VAT on investment management and administration fees	3	–	–	–	<b>42</b>	–	–	<b>42</b>
Tax on investment management fee		–	–	–	<b>35</b>	–	–	<b>35</b>
Retained net return for the year		–	–	–	–	<b>2,485</b>	–	<b>2,485</b>
<b>As at 31 July 2009</b>		<b>8,458</b>	<b>67,233</b>	<b>564</b>	<b>(5,983)</b>	<b>3,417</b>	–	<b>73,689</b>

\* Previously the cost of own shares held in treasury was shown as a separate reserve. In accordance with the AIC Statement of Recommended Practice issued in January 2009, the cost of own shares held in treasury is now reflected as a deduction from the special reserve.

The notes on pages 36 to 48 form part of these Financial Statements.

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS - continued**  
for the year ended 31 July 2009

	Notes	Called-up share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Distributable revenue reserve £'000	Own shares held in treasury £'000	Total equity shareholders' funds £'000
<b>Year ended 31 July 2008</b>								
As at 31 July 2007		8,972	80,652	50	25,294	2,357	(1,620)	115,705
Cost of own shares bought for cancellation		(70)	(619)	70	–	–	–	(619)
Cost of own shares bought into treasury		–	–	–	–	–	(7,905)	(7,905)
Cost of own shares cancelled from treasury		(8)	(84)	8	–	–	84	–
Movement in fair value of investments	8	–	–	–	(20,768)	–	–	(20,768)
Net loss on realisation of investments	8	–	–	–	(3,492)	–	–	(3,492)
Foreign exchange gains on capital items	8	–	–	–	476	–	–	476
Dividends paid in the year	6	–	–	–	–	(2,060)	–	(2,060)
Investment management fee	3	–	–	–	(216)	–	–	(216)
Tax on investment management fee		–	–	–	63	–	–	63
Retained net return for the year		–	–	–	–	2,892	–	2,892
<b>As at 31 July 2008</b>		<b>8,894</b>	<b>79,949</b>	<b>128</b>	<b>1,357</b>	<b>3,189</b>	<b>(9,441)</b>	<b>84,076</b>

The notes on pages 36 to 48 form part of these Financial Statements.

**STATEMENT OF CASH FLOWS**  
for the year ended 31 July 2009

		Year to 31 July 2009	Year to 31 July 2008
	Notes	£'000	£'000
<b>Operating activities:</b>			
Investment income received		3,163	3,619
Other income		13	–
Bank deposit interest received		–	9
Investment management fees paid		(343)	(475)
Administration and secretarial fees paid		(111)	(106)
Other cash payments		(295)	(393)
<b>Net cash inflow from operating activities</b>	16	<b>2,427</b>	<b>2,654</b>
<b>Servicing of finance</b>			
Interest paid		(3)	(5)
<b>Taxation</b>		<b>(65)</b>	<b>–</b>
<b>Capital expenditure and financial investment</b>			
Purchases of investments		(29,200)	(41,136)
Sales of investments		31,949	50,591
Exchange (losses)/gains on settlement		(116)	489
<b>Net cash inflow from capital expenditure and financial investment</b>		<b>2,633</b>	<b>9,944</b>
<b>Equity dividends paid</b>		<b>(2,257)</b>	<b>(2,060)</b>
<b>Net cash inflow before financing</b>		<b>2,735</b>	<b>10,533</b>
<b>Financing:</b>			
Shares purchased for cancellation		(3,242)	(375)
Own shares purchased and held in treasury		–	(7,905)
<b>Net cash outflow from financing</b>		<b>(3,242)</b>	<b>(8,280)</b>
<b>(Decrease)/increase in cash</b>	17	<b>(507)</b>	<b>2,253</b>

The notes on pages 36 to 48 form part of these Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2009

### 1 Accounting policies

#### Basis of accounting

The financial statements are prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and with the AIC Statement of Recommended Practice issued in January 2009 regarding the Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP"). All the Company's activities are continuing.

#### Income recognition

Dividend and other investment income is included as revenue when the investments concerned are quoted 'ex-dividend'. Income arising on holdings of fixed income securities is recognised on a time apportionment basis so as to reflect the effective interest rate on that security. Deposit interest and underwriting commission receivable is included on an accruals basis.

#### Expenses

All expenses are accounted for on an accruals basis. All operating expenses are charged through the revenue account in the Income Statement except costs that are incidental to the acquisition or disposal of investments, which are charged to the capital account. Transaction costs are included within the gains and losses on investment sales, as disclosed in the Income Statement.

The Investment Manager's fee is allocated 50% to capital and 50% to revenue.

Expenses related to the issue of new shares are charged to the Company's share premium account.

#### Investments

All investments held by the Company are classified as 'fair value through profit or loss'. Investments are initially recognised at cost, being the fair value of the consideration given.

After initial recognition, investments are measured at fair value, with changes in the fair value of investments and impairment of investments recognised in the Income Statement and allocated to capital. Realised gains and losses on investments sold are calculated as the difference between sales proceeds and cost.

For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date, without adjustment for transaction costs necessary to realise the asset.

#### Foreign currency

Transactions denominated in foreign currencies are converted to sterling at the actual exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rate of exchange at the balance sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or the revenue account depending on whether the gain or loss is of a capital or revenue nature.

## 1 Accounting policies - continued

### **Taxation**

The charge for taxation is based on the net revenue for the year. In accordance with Financial Reporting Standard 16: Current Tax, UK dividend income is shown net of attributable tax credits, therefore no tax credits are included within the charge for taxation.

The charge for taxation takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen but not been reversed by the balance sheet date, unless such provision is not permitted by Financial Reporting Standard 19: Deferred Tax. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the Financial Statements which are capable of reversal in one or more subsequent periods. The tax effect of different items of expenditure is allocated between revenue and capital on the same basis as the particular item to which it relates. Tax relief on expenses is allocated between revenue and capital using the marginal basis in accordance with the SORP.

### **Reserves**

#### *Capital reserve*

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- net movement arising from changes in the fair value of investments that can be readily converted to cash without accepting adverse terms;
- realised exchange differences of a capital nature;
- expenses, together with related taxation effect, charged to this account in accordance with the above policies; and
- net movement arising from changes in the fair value of investments that cannot be readily converted to cash without accepting adverse terms, held at the year end.

#### *Special reserve*

The special reserve was created by a reduction in the share premium account by order of the High Court on 25 August 2005. It can be used for the repurchase of the Company's Ordinary Shares.

In accordance with the AIC Statement of Recommended Practice issued in January 2009, the consideration paid for shares bought into and held in treasury is shown as a deduction from the special reserve. The number of own shares held in treasury is excluded from the calculation of the net asset value per share as detailed in these Financial Statements.

### **Dividends payable to shareholders**

Under Financial Reporting Standard 21: Events after the Balance Sheet Date, interim dividends are recognised when paid, with final dividends being recognised when approved by shareholders in general meeting.

NOTES TO THE FINANCIAL STATEMENTS - continued  
at 31 July 2009

2 Income	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
<b>Income from listed investments:</b>		
UK dividend income	1,644	2,005
Overseas dividends	1,631	1,696
Deposit funds	44	207
Interest	67	1
	<u>3,386</u>	<u>3,909</u>
<b>Other income:</b>		
Bank interest receivable	–	9
Underwriting commission	13	–
	<u>3,399</u>	<u>3,918</u>
<b>Total income comprises:</b>		
Dividends	3,319	3,908
Interest	67	10
Underwriting commission	13	–
	<u>3,399</u>	<u>3,918</u>

3 Investment Management fee	Year to 31 July 2009			Year to 31 July 2008		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment Management fee	165	166	331	216	216	432

The Investment Management fee is paid quarterly in arrears, at the rate of 0.5% per annum of the market capitalisation of the Company. At 31 July 2009 there was £84,000 outstanding (2008: £96,000). In addition, the Investment Manager received an administration fee of £113,000 per annum subject to an annual RPI uplift (2008: £107,000) (see note 4 below). At 31 July 2009 there was £28,000 outstanding (2008: £27,000).

Following the AIC/Claverhouse judgement in 2007 regarding the charging of VAT on investment management and administration fees, Edinburgh Partners Limited has made a payment of £97,000 to the Company, pending final agreement with HM Revenue & Customs. This has been recognised in these Financial Statements and has been allocated £55,000 to revenue and £42,000 to capital, as detailed in the Income Statement on page 31.

4 Other expenses	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
Administration and secretarial fees	113	107
Auditors' remuneration	22	25
Directors' remuneration	110	125
Registrars' fees	18	23
Irrecoverable VAT	(7)	23
Other	133	164
	<u>389</u>	<u>467</u>

The entire amount of the Auditors' remuneration relates to audit services.

## 5 Taxation

	Year to 31 July 2009			Year to 31 July 2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
a) Analysis of charge in year						
<b>Current tax:</b>						
UK corporation tax	339	(35)	304	338	(63)	275
Overseas tax suffered	173	–	173	275	–	275
Double taxation relief	(173)	–	(173)	(275)	–	(275)
Irrecoverable overseas tax suffered	10	–	10	–	–	–
Undercharge relating to prior year	63	–	63	–	–	–
	<b>412</b>	<b>(35)</b>	<b>377</b>	<b>338</b>	<b>(63)</b>	<b>275</b>

b) The current taxation charge for the year is lower than the standard rate of Corporation Tax in the UK of 28% (30% to 31 March 2008). The differences are explained below:

	Year to 31 July 2009			Year to 31 July 2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return before taxation	2,897	(7,375)	(4,478)	3,230	(24,000)	(20,770)
Theoretical tax at UK corporation tax rate of 28%/30%	811	(2,065)	(1,254)	947	(7,040)	(6,093)
Effects of:						
- UK dividends that are not taxable	(460)	–	(460)	(589)	–	(589)
- Foreign dividends that are not taxable	(1)	–	(1)	–	–	–
- Non-taxable investment losses	–	2,030	2,030	–	6,977	6,977
- Irrecoverable overseas tax	10	–	10	–	–	–
- Brought forward overseas tax utilised	–	–	–	(20)	–	(20)
- Accrued income taxable on receipt	(1)	–	(1)	–	–	–
- Accrued income exempt on receipt	(10)	–	(10)	–	–	–
- Undercharge relating to prior year	63	–	63	–	–	–
	<b>412</b>	<b>(35)</b>	<b>377</b>	<b>338</b>	<b>(63)</b>	<b>275</b>

NOTES TO THE FINANCIAL STATEMENTS - continued  
at 31 July 2009

5 Taxation - continued

Due to the Company's status as an investment trust and the intention to continue meeting the conditions required to obtain approval as an investment trust in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

6 Dividends

	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
<b>Declared and paid</b>		
2008 final dividend of 2.04p (2007: 1.58p) per Ordinary Share	<b>1,619</b>	1,393
2009 interim dividend of 0.82p per Ordinary Share (2008: interim dividend of 0.80p per Ordinary Share)	<b>638</b>	667
	<u><b>2,257</b></u>	<u>2,060</u>
<b>Proposed</b>		
2009 final dividend of 2.08p* (2008: 2.04p) per Ordinary Share	<b>1,559</b>	1,626

\* Figure based on 74,947,881 shares, being the number of shares in issue as at the date of this report (excluding own shares held in treasury).

7 Return per Ordinary Share

	Year to 31 July 2009			Year to 31 July 2008		
	Net return/(loss) £'000	Ordinary Shares*	Per share pence	Net return/(loss) £'000	Ordinary Shares*	Per share pence
Revenue return	<b>2,485</b>	<b>78,497,082</b>	<b>3.17</b>	2,892	84,870,031	3.41
Capital return	<b>(7,340)</b>	<b>78,497,082</b>	<b>(9.35)</b>	(23,937)	84,870,031	(28.20)
Total	<u><b>(4,855)</b></u>		<u><b>(6.18)</b></u>	<u>(21,045)</u>		<u>(24.79)</u>

\* Weighted average number of Ordinary Shares in issue during the year (excluding own shares held in treasury).

<b>8 Investments</b>	31 July 2009 £'000	31 July 2008 £'000
Listed investments	<u>71,835</u>	<u>82,987</u>
<i>Analysis of investment portfolio movements</i>		
Opening book cost	<b>98,203</b>	109,895
Opening fair value adjustment	<b>(15,216)</b>	5,552
Opening valuation	<b>82,987</b>	115,447
Movements in the year:		
Purchases at cost - cash purchases during the year	<b>27,932</b>	42,404
Sales - proceeds	<b>(31,809)</b>	(50,604)
- losses on sales	<b>(16,626)</b>	(3,492)
Changes in fair value of investments	<b>9,351</b>	(20,768)
Closing valuation	<u>71,835</u>	<u>82,987</u>
Closing book cost	<b>77,700</b>	98,203
Closing fair value adjustment	<b>(5,865)</b>	(15,216)
	<u>71,835</u>	<u>82,987</u>
<i>Analysis of capital gains and losses</i>		
Realised losses on sales	<b>(16,626)</b>	(3,492)
Changes in fair value of investments	<b>9,351</b>	(20,768)
	<b>(7,275)</b>	(24,260)
Foreign exchange gains on capital items	<b>24</b>	476
Losses on investments	<u><b>(7,251)</b></u>	<u>(23,784)</u>

#### Transaction costs

During the year the Company incurred transaction costs of £113,000 (2008: £160,000) and £58,000 (2008: £90,000) on purchases and sales of investments respectively. For purchases transaction costs are included in the cost of investments and for sales they are netted off the gains on investments, as disclosed in the Income Statement.

#### 9 Significant holdings

The Company had holdings of 3% or more of the share capital of the following portfolio company:

Name of company	Class of Share	31 July 2009 % held
MacFarlane Group	Ordinary	3.7

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
at 31 July 2009

<b>10 Debtors</b>	31 July 2009 £'000	31 July 2008 £'000
Dividends receivable	209	260
Prepayments and accrued income	155	55
Taxation recoverable	228	159
	<u>592</u>	<u>474</u>
<b>11 Creditors: amounts falling due within one year</b>	31 July 2009 £'000	31 July 2008 £'000
Amounts due to brokers	–	1,268
Other creditors and accruals	189	225
Amounts due on share buy-backs	277	244
Taxation	117	–
	<u>583</u>	<u>1,737</u>

**12 Provision for liabilities and charges**

No provision for liabilities and charges is considered necessary at the Company's year end (2008: nil).  
There were no amounts unprovided in respect of deferred taxation (2008: nil).

**13 Commitments and contingencies**

At 31 July 2009 there were no outstanding commitments in respect of investments carrying an obligation for future subscriptions (2008: nil).

**14 Share capital**

	31 July 2009 £'000	31 July 2008 £'000
Authorised: 399,500,000 Ordinary Shares of 10p each	<u>39,950</u>	<u>39,950</u>
Allotted, called-up and fully paid: 84,582,568 (2008: 88,938,819) Ordinary Shares of 10p each	<u>8,458</u>	<u>8,894</u>

In the year ended 31 July 2009, the Company purchased 3,920,251 shares for cancellation (2008: 706,562) and 436,000 shares were cancelled from treasury (2008: 79,000).

**Treasury shares held**

	31 July 2009 Number of shares	31 July 2008 Number of shares
Balance of treasury shares held at beginning of year	8,893,438	1,394,285
Shares purchased to be held in treasury	–	7,578,153
Shares cancelled from treasury	<u>(436,000)</u>	<u>(79,000)</u>
Balance of treasury shares held at end of year	<u>8,457,438</u>	<u>8,893,438</u>

**Duration of the Company**

The Company does not have a termination date nor the requirement for any periodic continuation votes.

## 15 Net asset value per share

The net asset value per share, calculated in accordance with the Articles of Association, is as follows:

	31 July 2009 pence	31 July 2008 pence
Ordinary Share	<u>96.80</u>	<u>105.04</u>

The net asset value per Ordinary Share is based on net assets of £73,689,000 (2008: £84,076,000) and on 76,125,130 (2008: 80,045,381) Ordinary Shares being the number of Ordinary Shares in issue at the year end, excluding own shares held in treasury.

## 16 Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
Net loss before interest and taxation	(4,475)	(20,765)
Net losses on investments	7,251	23,784
Decrease in creditors	(36)	(73)
(Increase)/decrease in debtors and accrued income	(61)	22
Tax deducted from investment income	(183)	(275)
Tax recoverable	(69)	(39)
Net cash inflow from operating activities	<u>2,427</u>	<u>2,654</u>

## 17 Reconciliation of net cash flow to movement in net cash

	Year to 31 July 2009 £'000	Year to 31 July 2008 £'000
(Decrease)/increase in cash in year	<u>(507)</u>	<u>2,253</u>
Change in net cash	<u>(507)</u>	<u>2,253</u>
Net cash at 31 July 2008	2,352	99
Change in net cash	(507)	2,253
Net cash at 31 July 2009	<u>1,845</u>	<u>2,352</u>

## 18 Financial Instruments

As an Investment Trust, the Company invests in equities and makes other investments so as to achieve its investment objective to provide shareholders with above average returns over the longer term through both capital appreciation and income growth. In pursuing its investment objective, the Company is exposed to various types of risk that are associated with the financial instruments and markets in which it invests.

These risks are categorised as:

- Investment and strategy risk
- Discount volatility risk
- Market risk (comprising: interest rate risk, currency risk and other price risk)
- Liquidity risk
- Credit risk
- Gearing risk

The risk management policies and procedures outlined in this note have not changed substantially from the previous accounting period.

The Investment Manager monitors the risks affecting the Company on an ongoing basis within the policies and guidelines determined by the Board. The Directors receive financial information, which is used to identify and monitor risk, monthly. The Company may enter into derivative contracts to manage risk but has not done so to date. A detailed description of the principal risks the Company faces is detailed in the Directors' Report on pages 14 and 15 and below.

### Investment and strategy risk

Anglo & Overseas Plc may fail to deliver its objective due to poor stock selection or as a result of being geared in a falling market or ungeared in a rising market.

The Investment Manager meets regularly with the Board to discuss the portfolio performance and strategy. The Board receives both monthly and quarterly reports from the Investment Manager detailing all portfolio transactions and any other significant changes in the market or stock outlooks. Details of the investment policy are given on page 13 of the Directors' Report.

The investment process used by the Investment Manager is rigorous and is designed to ensure that the portfolio risk level is commensurate with the investment objective. The investment philosophy emphasises the need to identify stocks which meet strict valuation parameters and therefore the analytical inputs to the forecasts are reviewed in detail. At the individual stock level central, best and worst case scenarios are constructed in order to form a clear view of the potential risk in holding a particular stock. This information is aggregated at portfolio level in order to gain an insight into the overall portfolio profile.

### Discount volatility risk

The Board recognises that it is in the long-term interests of shareholders to reduce discount volatility and believes that the prime driver of discounts over the longer term is investment performance. The Company is permitted to employ gearing, a process whereby funds are borrowed principally for the purpose of purchasing securities should the Board feel that it is appropriate to do so. The use of gearing can magnify discount volatility.

The Board actively monitors the discount for Anglo & Overseas Plc, but it does not intend to issue a precise discount target at which shares will be bought back as it believes that the announcement of specific targets is likely to hinder rather than help the successful execution of a buy-back policy. Equally the Company will issue shares in order to meet demand as it arises.

## 18 Financial Instruments - continued

### Interest rate risk

The Company's assets and liabilities, excluding short-term debtors and creditors, may comprise financial instruments which include investments in fixed interest securities.

Details of the Company's interest rate exposure as at 31 July 2009 is disclosed below:

	31 July 2009					31 July 2008				
	Total exposure £'000	No	Cash	Fair	Fixed interest rate %	Total exposure £'000	No	Cash	Fair	Fixed interest rate %
		interest	flow	value			interest	flow	value	
		rate	interest	interest			rate	interest	interest	
exposure	exposure	exposure	exposure	exposure	exposure	exposure	exposure	exposure		
<b>Equity shares</b>										
Euro	20,284	20,284	–	–	–	17,985	17,985	–	–	–
Sterling	30,478	30,478	–	–	–	39,414	39,414	–	–	–
Hong Kong Dollar	4,613	4,613	–	–	–	–	–	–	–	–
US Dollar	7,807	7,807	–	–	–	16,906	16,906	–	–	–
Swiss Franc	5,317	5,317	–	–	–	5,570	5,570	–	–	–
Turkish Lira	–	–	–	–	–	1,027	1,027	–	–	–
Swedish Krona	1,178	1,178	–	–	–	2,085	2,085	–	–	–
<b>Fixed interest shares</b>										
Euro	696	–	–	696	4	–	–	–	–	–
Sterling	750	–	–	750	7	–	–	–	–	–
US Dollar	712	–	–	712	5	–	–	–	–	–
<b>Cash at bank</b>										
Turkish Lira	2	–	2	–	–	2	–	2	–	–
Sterling	1,784	–	1,784	–	–	1,954	–	1,954	–	–
US Dollar	59	–	59	–	–	396	–	396	–	–
<b>Debtors</b>										
Euro	10	10	–	–	–	–	–	–	–	–
Sterling*	551	551	–	–	–	447	447	–	–	–
US Dollar	5	5	–	–	–	–	–	–	–	–
	<b>74,246</b>	<b>70,243</b>	<b>1,845</b>	<b>2,158</b>		<b>85,786</b>	<b>83,434</b>	<b>2,352</b>	<b>–</b>	

\* Debtors exclude certain prepayments which under FRS25 are not classed as financial assets.

At 31 July 2009 the Company had no financial liabilities other than short-term creditors (2008: £nil). All financial assets and liabilities of the Company are held at fair value.

The majority of the Company's assets were non-interest bearing as at 31 July 2009. There was limited exposure to interest bearing liabilities during the year ended 31 July 2009. Surplus cash is invested in money market funds.

If interest rates had reduced by 0.25 per cent (2008: 1 per cent) from those obtained as at 31 July 2009 it would have the effect, with all other variables held constant, of reducing the net revenue return before taxation on an annualised basis by £5,000 (2008: £24,000). If there had been an increase in interest rates of 0.25 per cent (2008: 1 per cent) there would have been an equal and opposite effect in the net revenue return before taxation. The calculations are based on the Company's cash at bank and short-term deposits as at 31 July 2009 and these may not be representative of the year as a whole.

NOTES TO THE FINANCIAL STATEMENTS - continued  
at 31 July 2009

18 Financial Instruments - continued

Currency risk

The base currency of the Company is Sterling. The international nature of the Company's investment activities gives rise to a currency risk which is inherent in the performance of its overseas investments. The Company holds overseas cash balances and deposits from time to time and the Company's overseas income is also subject to currency fluctuations.

The Investment Manager monitors the Company's exposure to foreign currencies and reports to the Board on a regular basis. The Investment Manager assesses the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. However, the country in which a company is listed is not necessarily where it earns its profits. The movement in exchange rates on overseas earnings may have a more significant impact upon a company's valuation than a simple translation of the currency in which the company is quoted.

It is not the Company's policy to hedge this risk on a continuing basis. However, the Investment Manager actively monitors investments held in foreign currencies to ensure that they continue to meet investment criteria in Sterling terms.

Details of the Company's currency risk exposure as at 31 July 2009 is detailed below:

	31 July 2009					31 July 2008				
	Cash					Cash				
	Total	Investments	at bank	Debtors*	Creditors	Total	Investments	at bank	Debtors*	Creditors
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Euro	20,990	20,980	–	10	–	17,985	17,985	–	–	–
Sterling	32,980	31,228	1,784	551	(583)	40,078	39,414	1,954	447	(1,737)
Hong Kong Dollar	4,613	4,613	–	–	–	–	–	–	–	–
US Dollar	8,583	8,519	59	5	–	17,302	16,906	396	–	–
Swiss Franc	5,317	5,317	–	–	–	5,570	5,570	–	–	–
Turkish Lira	2	–	2	–	–	1,029	1,027	2	–	–
Swedish Krona	1,178	1,178	–	–	–	2,085	2,085	–	–	–
	<b>73,663</b>	<b>71,835</b>	<b>1,845</b>	<b>566</b>	<b>(583)</b>	<b>84,049</b>	<b>82,987</b>	<b>2,352</b>	<b>447</b>	<b>(1,737)</b>

\* Debtors exclude certain prepayments which under FRS25 are not classed as financial assets.

If Sterling had strengthened by 1 per cent against all other currencies as at 31 July 2009, with all other variables held constant, it would have the effect of reducing the net capital return before taxation by £407,000 (2008: £440,000). If Sterling had weakened by 1 per cent against all other currencies there would have been an equal and opposite effect on the net capital return before taxation. The calculations are based on the Company's foreign currency risk exposure as at 31 July 2009 and this may not be representative of the year as a whole.

Other price risk

The Company is exposed to market risk due to fluctuations in the market prices of its investments. Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Investment Manager monitors the prices of financial instruments held by the Company on an ongoing basis.

The Investment Manager actively monitors market and economic data and reports to the Board which considers investment policy on a regular basis. The net asset value per share of the Company is issued daily to the London Stock Exchange and is also available on the Company's website [www.angloandoverseasplc.com](http://www.angloandoverseasplc.com).

## 18 Financial Instruments - continued

Fixed asset investments are valued at their bid price which equates to their fair value. Details of the Company's investment portfolio as at 31 July 2009 are disclosed on pages 7 and 8 of these Financial Statements. In addition, an analysis of the investment portfolio by sector and geographical distribution is detailed on page 9 of these Financial Statements.

The maximum exposure to other price risk is the fair value of investments of £71,835,000.

If the investment portfolio valuation fell by 1 per cent from the amount detailed in the Financial Statements as at 31 July 2009 it would have the effect, with all other variables held constant, of reducing the net capital return before taxation by £718,000 (2008: £830,000). An increase of 1% in the investment portfolio valuation would have an equal and opposite effect on the net capital return before taxation. The calculations are based on the Company's other price risk exposure as at 31 July 2009 and this may not be representative of the year as a whole.

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's policy with regard to liquidity is to ensure continuity of funding. Short-term flexibility is achieved through cash management and overdraft facilities.

Liquidity risk is not significant as the Company's assets comprise mainly of readily realisable securities which can be sold freely to meet funding requirements if necessary. Securities listed on a recognised stock exchange have been valued at bid prices and exchange rates ruling at the close of business on 31 July 2009. In certain circumstances, the market prices at which investments are valued may not represent the realisable value of those investments, taking into account both the size of the Company's holding and the frequency with which such investments are traded.

### Credit risk

Credit risk is the risk of financial loss to the Company if the contractual party to a financial instrument fails to meet its contractual obligations.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date.

The Company's listed investments are held on its behalf by The Bank of New York Mellon acting as the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Board monitors the Company's risk by reviewing the custodian's internal controls reports.

Investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Investment Manager. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered in its obligations before any transfer of cash or securities away from the Company is completed.

Cash is only held at banks and in money market funds that have been identified by the Board as reputable and of high credit quality.

The maximum exposure to credit risk as at 31 July 2009 was £74,272,000 (2008: £85,813,000). The calculation is based on the Company's credit risk exposure as at 31 July 2009 and this may not be representative of the year as a whole.

None of the Company's assets are past due or impaired.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
at 31 July 2009

**18 Financial Instruments - continued**

**Gearing risk**

The aim of gearing is to enhance long-term returns to shareholders by investing borrowed funds in equities and other assets. The Company is permitted to employ gearing should the Board feel it appropriate to do so up to a maximum of 20 per cent of shareholders' funds at the time of borrowing. The use of gearing can cause both gains and losses in the asset value of the Company to be magnified.

The Company did not have any gearing as at 31 July 2009 (2008: nil).

The Board undertakes an annual assessment and review of all the risks stated above and in the Directors' Report on pages 14 and 15 together with a review of any new risks which may have arisen during the year. These risks are formalised within the Company's risk assessment matrix.

**Financial assets**

The majority of the Company's financial assets are listed equity shares which neither pay interest nor have a maturity date. All financial assets are disclosed at fair value through profit or loss.

**Financial liabilities**

The Company finances its operations primarily through equity and retained profits although trade creditors and accruals arise from its operations. As at 31 July 2009 (and 31 July 2008) all financial liabilities were due within one year and are stated at fair value.

**19 Related parties**

All information with respect to transactions with related parties is provided in the Directors' Report in these Financial Statements.

## GLOSSARY OF INVESTMENT TRUST TECHNICAL TERMS

### **Discount**

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

### **Gearing**

Gearing is the process whereby changes in the total assets of a company have an exaggerated effect on the net assets of that company's ordinary shares due to the presence of borrowings.

### **ISAs and SIPPs**

Individual Savings Accounts and Self-Invested Personal Pensions.

### **Net asset value ("NAV") per share**

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

### **Total assets**

Total assets less current liabilities before deducting prior charges. Prior charges include all loans used for investment purposes.

### **Total expense ratio**

The total operating expenses incurred by a company, including any charged to capital (excluding interest costs) as a percentage of average total shareholders' funds.

### **Total return**

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

### **Treasury shares**

Shares previously issued by a company that have been bought back from shareholders to be held by the company for potential sale or cancellation at a later date.

## SHAREHOLDER INFORMATION

### Investing in the Company

The Company's Ordinary Shares are traded on the London Stock Exchange. You can buy or sell shares through your stockbroker, bank or other professional investment adviser. Shares in the Company may also be bought and held in an ISA, PEP or Share Plan through the Edinburgh Partners Investment Trust Savings Scheme. Further information is available on the Edinburgh Partners' website [www.edinburghpartners.com](http://www.edinburghpartners.com) and on the Company's website [www.angloandoverseasplc.com](http://www.angloandoverseasplc.com) or by telephone on 0845 850 0181.

### Frequency of NAV publication

The Company's Ordinary Share net asset value is released daily to the London Stock Exchange and published on the Edinburgh Partners' website [www.edinburghpartners.com](http://www.edinburghpartners.com) and on the Company's website [www.angloandoverseasplc.com](http://www.angloandoverseasplc.com).

### Sources of further information

The Company's Ordinary Share price is quoted daily in the Financial Times and the Daily Telegraph under "Investment Companies". Previous day closing price, net asset value and other portfolio information is published on the Edinburgh Partners' website [www.edinburghpartners.com](http://www.edinburghpartners.com) and the Company's website [www.angloandoverseasplc.com](http://www.angloandoverseasplc.com). Other useful information on investment trusts, such as prices, net asset values and company announcements, can be found on the websites of the London Stock Exchange [www.londonstockexchange.com](http://www.londonstockexchange.com) and the AIC [www.theaic.co.uk](http://www.theaic.co.uk).

### Share register enquiries

The register for the Ordinary Shares is maintained by Computershare Investor Services PLC. In the event of queries regarding your holding, please contact the Registrar on 0870 889 3190 or email: [web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk). Changes of name and/or address must be notified in writing to the Registrar, at the address shown on page 11.

### Key dates

Company's year end	31 July
Annual results announced	October
AGM	November
Final dividend	December
Company's half year end	31 January
Interim results announced	March
Interim dividend	May

### Interim Management Statements

In accordance with the Disclosure and Transparency Rules, the Company will be releasing Interim Management Statements ("IMS") for the quarters ending 31 October 2009 and 30 April 2010. These will be released to the London Stock Exchange and may be viewed at the Company's website.

### Risk Warning

This document is not a recommendation, offer or invitation to buy, sell or hold shares of the Company. If you wish to deal in shares of the Company, you should contact an authorised professional investment adviser. The value of the Company's shares may fluctuate and investors may not get back the full value of their investment. Past performance is no guarantee of future performance. The Company invests in overseas securities; changes in the rates of exchange may also cause the value of your investment (and any income received) to go down or up.

**NOTICE OF ANNUAL GENERAL MEETING**  
**Anglo & Overseas Plc (the "Company")**

NOTICE IS HEREBY GIVEN that the fourth ANNUAL GENERAL MEETING of the Company will be held at The Chamber of Shipping, 12 Carthusian Street, London EC1M 6EZ on Friday, 27 November 2009, at 11.00 am for the following purposes:

	Resolution on Form of Proxy
<b>Ordinary business</b>	
1 To receive and, if thought fit, to accept the Reports of the Directors and Auditor and the audited Financial Statements for the year ended 31 July 2009.	Resolution 1
2 To receive and approve the Directors' Remuneration Report for the year ended 31 July 2009.	Resolution 2
3 To re-appoint KPMG Audit Plc as Auditor to the Company, to hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company.	Resolution 3
4 To authorise the Directors to determine the remuneration of the Auditor of the Company.	Resolution 4
5 To re-elect John Sussens as a Director of the Company.	Resolution 5
6 To declare a final dividend of 2.08p per Ordinary Share for the year ended 31 July 2009.	Resolution 6
<b>Special business</b>	
7 To consider and, if thought fit, to pass the following resolution as a Special Resolution:	Resolution 7
<p>THAT the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the "Act"), to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 10p each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the Directors of the Company shall from time to time determine, provided that:</p> <ul style="list-style-type: none"> <li>(i) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased shall be 11,234,687 (or, if less, 14.99% of the number of Ordinary Shares in issue (excluding treasury shares) immediately following the passing of this resolution);</li> <li>(ii) the minimum price (exclusive of expenses) which may be paid by the Company for an Ordinary Share shall be 10p;</li> <li>(iii) the maximum price (exclusive of expenses) which may be paid by the Company for an Ordinary Share shall be no more than the higher of (a) 105% of the average of the closing mid-market price of such shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days prior to the date of the purchase and (b) the amount stipulated by Article 5(1) of the Buy-Back and Stabilisation Regulation;</li> <li>(iv) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, unless previously renewed, varied or revoked by the Company in general meeting; and</li> <li>(v) the Company may at any time make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or might be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract or contracts.</li> </ul>	

8. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution: Resolution 8

THAT the Directors of the Company be and they are hereby generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused), pursuant to Section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights"):

- (A) up to an aggregate nominal amount of £2,537,504, (being one-third of the issued share capital (excluding treasury shares) as at 31 July 2009); and
- (B) comprising equity securities (within the meaning of Section 560 of the Act) up to a further aggregate nominal amount of £2,537,504 in connection with an offer by way of a rights issue:
  - (i) to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings; and
  - (ii) to holders of other equity securities (if any) as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts),

provided that the authorities conferred on the Directors by paragraphs (A) and (B) above shall, unless renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot shares or grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

**NOTICE OF ANNUAL GENERAL MEETING - continued**

9. To consider and, if thought fit, pass the following resolution as a Special Resolution: Resolution 9

THAT, subject to the passing of Resolution 8 above (and in substitution for all subsisting authorities to the extent unused but without prejudice to the exercise of any such power prior to the date hereof), the Directors be and are hereby empowered pursuant to Section 570 and Section 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 8 as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

- (a) in connection with an offer of equity securities (but in the case of the authority granted under paragraph (B) of Resolution 8, by way of a rights issue only):
  - (i) to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings; and
  - (ii) to holders of other equity securities (if any) as required by the rights of those securities or as the Directors otherwise consider necessary,and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts); and
- (b) otherwise than pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £761,251 (being 10% of the issued share capital (excluding treasury shares) as at 31 July 2009)

and shall expire at the conclusion of the Company's next Annual General Meeting after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired.

10. To consider and, if thought fit, pass the following resolution as a Special Resolution: Resolution 10

THAT the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than Annual General Meetings) on not less than 14 clear days' notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution.

11. To consider and, if thought fit, pass the following resolution as a Special Resolution: Resolution 11

THAT the regulations produced to the meeting and for the purposes of identification initialled by the Chairman of the meeting be adopted as the articles of association of the Company in substitution for, and to the exclusion of, all the existing articles of association of the Company.

**NOTICE OF ANNUAL GENERAL MEETING - continued**

12. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution: Resolution 12

THAT the Company be authorised, subject to and in accordance with the provisions of the Companies Act 2006 and the articles of association of the Company (as from time to time amended or varied), to send, convey or supply all types of notices, document or information to the members by means of electronic equipment for the processing (including without limitation by means of digital compression), storage and transmission of data, using wires, radio optical technologies, or any other electromagnetic means, including by making such notices, documents or information available on a website.

By order of the Board:

**Kenneth J Greig**

Secretary

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

15 October 2009

Note 1: Pursuant to section 324 of the Companies Act 2006, a member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy or proxies to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed, they must not be appointed in respect of the same shares. To be effective, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a notarially certified copy thereof, should be lodged at the office of the Company's Registrar, Computershare Investor Services PLC, the Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 48 hours before the time of the meeting or any adjournment thereof. The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every ordinary share of which he is the holder. The termination of the authority of a person to act as proxy must be notified to the Company in writing. Amended instructions must be received by the Company's Registrar by the deadline for receipt of proxies.

To appoint more than one proxy, shareholders will need to complete a separate proxy form in relation to each appointment (you may photocopy the proxy form), stating clearly on each proxy form the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares to which each proxy appointment relates to or specifying an aggregate number of shares in excess of those held by the member will result in the proxy appointment being invalid. Please indicate if the proxy instruction is one of multiple instructions being given. All proxy forms must be signed and should be returned together in the same envelope.

Note 2: Shareholders who hold their shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's Registrar not later than 48 hours before the start of the meeting or any adjournment thereof. Instructions on how to vote through CREST can be found by accessing the following website: [www.euroclear.com/CREST](http://www.euroclear.com/CREST). Shareholders are advised that CREST is the only method by which completed proxies can be submitted electronically.

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting and any adjournment thereof by following 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 by means of CREST 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 [www.euroclear.com/crest](http://www.euroclear.com/crest)). The message, in order to be valid, must be transmitted so as to be received by the Company's agent (ID 3RA50) by the latest time for receipt of proxy appointments specified in Note 1 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 Company'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 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 the CREST system 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.

## NOTICE OF ANNUAL GENERAL MEETING - continued

Note 3: A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statements of the rights of members in relation to the appointment of proxies in Note 1 above do not apply to a Nominated Person. The rights described in this Note can only be exercised by registered members of the Company.

Note 4: As at 14 October 2009 (the business day prior to the publication of this notice) the Company's issued share capital amounted to 83,275,319 Ordinary Shares carrying one vote each. After deducting 8,327,438 Ordinary Shares held in treasury, which do not have voting rights, the total voting rights in the Company as at 14 October 2009 were 74,947,881 votes.

Note 5: Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, as amended and/or the purposes of Section 360 B of the Companies Act 2006, the Company specifies that only those Shareholders registered on the Register of Members of the Company as at 6.00 pm on 25 November 2009 (or, in the event that the meeting is adjourned, only those Shareholders registered on the Register of Members of the Company as at 6.00pm on the day which is two days prior to the adjourned meeting) shall be entitled to attend in person or by proxy and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Note 6: In accordance with Section 319A of the Companies Act 2006, the Company must cause any question relating to the business being dealt with at the meeting put by a member attending the meeting to be answered. No such answer need be given if:

- a) to do so would:
  - (i) interfere unduly with the preparation for the meeting, or
  - (ii) involve the disclosure of confidential information;
- b) the answer has already been given on a website in the form of an answer to a question; or
- c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Note 7: A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company (provided, in the case of multiple corporate representatives of the same corporate shareholder, they are appointed in respect of different shares owned by the corporate shareholder or, if they are appointed in respect of those same shares, they vote those shares in the same way). To be able to attend and vote at the meeting, corporate representatives will be required to produce prior to their entry to the meeting evidence satisfactory to the Company of their appointment. Corporate shareholders can also appoint one or more proxies in accordance with Note 1. On a vote on a resolution on a show of hands, each authorised person has the same voting rights to which the corporation would be entitled. On a vote on a resolution on a poll, if more than one authorised person purports to exercise a power in respect of the same shares:

- a) if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way;
- b) if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.

- Note 8: Members should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
- Note 9: A copy of this notice of Annual General Meeting is available on the Company's website: [www.angloandoverseasplc.com](http://www.angloandoverseasplc.com).
- Note 10: The following documents will be available for inspection at the registered office of the Company and at the offices of Norton Rose LLP, 3 More London Riverside, London SE1 2AQ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting and on the date of the Annual General Meeting at The Chamber of Shipping, 12 Carthusian Street, London EC1M 6EZ from 10:45 am until the conclusion of the meeting:
- a) letters of appointment of the Directors of the Company;
  - b) a copy of the existing Articles of Association of the Company; and
  - c) a copy of the proposed new Articles of Association of the Company.
- Note 11: This notice, together with information about the total number of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 14 October 2009 (the business day prior to the publication of this Notice) and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice, will be available on the Company's website [www.angloandoverseasplc.com](http://www.angloandoverseasplc.com).

## APPENDIX

### Summary of the Principal Changes to the Company's Articles of Association

It is proposed in Resolution 11 in the Notice of Annual General Meeting that new Articles of Association are adopted in order to update the existing Articles of Association for various legislative changes including the final implementation of the Companies Act 2006 and the implementation of the EU Shareholder Rights Directive. The following are the principal differences between the existing and the proposed new Articles of Association:

#### **1 General**

The opportunity has been taken to conform the language of the current Articles with language consistent with the Companies Act 2006 (the "2006 Act"). Accordingly, all references to authorised share capital and unissued shares (reflecting the abolition of authorised share capital in the 2006 Act), and the Memorandum of Association (see paragraph 3 below) have been removed.

#### **2 Authority to consolidate and sub-divide shares**

Under the previous law a company required specific enabling provisions in its articles to consolidate or sub-divide its shares, as well as shareholder authority to undertake the relevant action. The current Articles include these enabling provisions. Under the 2006 Act a company will only require shareholder authority to do any of these things and it will no longer be necessary for the articles to contain enabling provisions. Accordingly, the relevant enabling provisions are not included in the new Articles.

#### **3 Limitation of liability**

Under the 2006 Act the objects clause and all other provisions which are currently contained in a company's memorandum of association will be deemed to be contained in a company's articles of association, but a company can remove these provisions by special resolution. The adoption of the new Articles will remove all provisions of the Company's Memorandum of Association that, by virtue of the 2006 Act, are to be treated as forming part of the Company's Articles of Association, save for the provision regarding members' liability currently contained in the Memorandum of Association which will be incorporated as new Article 3.

#### **4 Suspension of registration of share transfers**

The current Articles permit the Directors to suspend the registration of transfers. Under the 2006 Act share transfers must be registered as soon as practicable and the previous ability under section 358 of the Companies Act 1985 to close the register has not been included in the 2006 Act. Accordingly, the power in the current Articles to suspend the registration of transfers is not included in the new Articles.

#### **5 Chairman's casting vote**

The provision in the current Articles giving the Chairman of a general meeting a casting vote has been removed.

#### **6 General meetings at short notice**

The previous Article 52.2, which allowed general meetings to be held on short notice if all or 95% of the members agreed, has been deleted, as from 3 August 2009 an Official List company cannot hold general meetings on short notice.

#### **7 Multiple proxies**

The Articles dealing with voting by proxy have been amended to reflect current best practice in relation to multiple proxies.

#### **8 Retirement of directors**

Amendments have been made to the Articles, in line with the requirements of the Combined Code on Corporate Governance, so that at each annual general meeting one-third of the Directors shall retire from office by rotation.

#### **9 Validity of votes by proxies and corporate representatives**

From 3 August 2009 there is a new statutory duty on all proxies to vote in accordance with their appointor's instructions. The new provision is not accompanied by wording to the effect that there is no obligation on the Company to verify that this has been done or to the effect that any such failure does not invalidate any votes given. Accordingly, in accordance with ICSA Guidance on the Implementation of the EU Shareholder Rights Directive, an Article has been added to cover these specific points.

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