

# ANGLO & OVERSEAS PLC

The logo graphic consists of two stylized, overlapping wavy lines. The top line is grey and the bottom line is teal, both curving upwards from left to right.

Annual Report  
For the period ended 31 July 2007

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*Registered in England No. 5451176*

*An investment company as defined under Section 266 of the Companies Act 1985*

*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 invests principally in securities of publicly quoted companies worldwide, though it may invest up to 5 per cent of its gross assets in unquoted securities. There are concentrated UK and international portfolios, with each portfolio representing between 40 and 60 per cent of the Company's total investments, and comprising 30 to 40 securities. The Company's investments are managed without reference to the composition of any stock market index.</p> <p>The complete investment policy is set out in the Directors' Report on page 13.</p>
<b>Shareholders' funds</b>	£115,705,000 as at 31 July 2007
<b>Market capitalisation</b>	£104,450,000 as at 31 July 2007
<b>Capital structure</b>	As at 31 July 2007, the Company's authorised share capital comprised 399,500,000 Ordinary Shares of 10p each, of which 89,724,381 (including 1,394,285 shares held in treasury) were issued and fully paid. As at the date of this report, the Company had 89,724,381 Ordinary Shares in issue (including 1,444,285 shares held in treasury).
<b>Savings plans</b>	The Company's Ordinary Shares are eligible for inclusion in ISAs, PEPs and SIPPs. Savings plans, ISAs and PEP 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 45, 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 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

	31 July 2007	28 July 2006	% change
Shareholders' funds	£115,705,000	£105,834,000	9.3%
Net asset value ("NAV") per Ordinary Share	130.99p	118.36p	10.7%
Share price per Ordinary Share	118.25p	108.75p	8.7%
Share price (discount)/premium to NAV (excluding income)	(9.1)%	(6.7)%	
	Period 29 July 2006 to 31 July 2007	Period 12 May 2005* to 28 July 2006	
Capital return per Ordinary Share**	11.69p	16.63p	
Revenue return per Ordinary Share**	2.81p	2.38p	
Total return per Ordinary Share**	14.50p	19.01p	
Dividend per Ordinary Share***	2.20p	1.92p	
<b>Period's high/low</b>			
NAV - high	139.03p	122.37p	
- low	114.28p	97.76p	
Share price - high	131.75p	115.00p	
- low	107.50p	93.25p	
Share price (discount)/premium to NAV			
- high	(2.4)%	1.9%	
- low	(9.9)%	(8.9)%	
<b>Cost of running the Company</b>			
Total expense ratio****	0.9%	0.4%	

\* The Company was incorporated on 12 May 2005, but did not start trading until 29 July 2005.

\*\* Based on the weighted average number of shares in issue during the period, excluding shares held in treasury.

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

\*\*\*\* Investment management fees were waived by Edinburgh Partners for the period from 12 May 2005 to 31 July 2006, thus no investment management fees were incurred in the period from 12 May 2005 to 28 July 2006.

## CHAIRMAN'S STATEMENT

### Results

After the strong performance seen in the previous period I am pleased to be able to report a continuation of positive returns to shareholders in the second Annual Report of Anglo & Overseas Plc.

During the period to 31 July 2007 the net asset value per share rose to 131.0p from 118.4p at the previous period end date of 28 July 2006. This represents an increase of 10.7%. The total return in the period amounted to 12.3%, after including dividends paid in the period.

Although the Company's portfolio is not managed by reference to any stock market index, as your Directors have decided not to adopt a formal benchmark, we continue to believe it would be useful to highlight the performance of your Company against market indices for comparison purposes.

The total return from the FTSE All-Share Index over the same period was 12.2%, while the corresponding total return from the FTSE All-World ex UK Index was 13.6%. The total return from the average of these indices over the period under review was 12.9%.

Since the Company's launch in July 2005 the net asset value total return has amounted to 33.7%. The total return from the FTSE All-Share Index since launch was 32.8%, while the return from the FTSE All-World ex UK Index was 22.0%. The total return from the average of those indices since launch was 27.4%, resulting in a net asset value total return 6.3% higher than this composite index.

### Investment strategy

During the period there was relatively little change to the geographic allocation of the Company's assets. At 31 July 2007 UK exposure accounted for over half of the Company's assets having increased from 49% to 54% during the period. Exposure to European companies remained around 25%, while US exposure rose from 11% to 15%. The increases in UK and US exposure were funded from the sale of Japanese stocks and the reduction in cash balances.

During the period, the UK portfolio has had no exposure to the Oil & Gas or Mining sectors. While these sectors form a large part of the FTSE All-Share Index, the Investment Manager, Edinburgh Partners Limited ("Edinburgh Partners"), continues to believe that these sectors are approaching peak earnings, while operating costs are continuing to rise. Similarly, in the international portfolio, while the Investment Manager has found more value in selected US stocks, the portfolio remains underweight in the US, relative to global equity indices.

For more detailed information on investment strategy and portfolio activity please see the Investment Manager's Report and Portfolio Analysis on pages 5 and 6.

### Share price and discount

As at 31 July 2007 the Company's share price was 118.25p. This represented a discount to net asset value per share (excluding income) of 9.1%. This compares with a discount of 6.7% at the previous period end and an average discount over the period of 5.2%.

Your Board continues to believe that the shares of your Company should trade in a relatively narrow range around net asset value. The Company's discount widened in the period under review, particularly towards the end of the period, as it did for the investment trust sector generally, due principally to increased stock market volatility, following the strong rise in share prices seen over the last few years.

The Company's strategy to achieve the narrowing of the discount is to continue to keep existing and potential investors informed through presentations made by Edinburgh Partners and over the longer term through superior investment performance. In addition private investors can purchase shares in the Company through a savings plan operated by Edinburgh Partners, details of which can be found on the Company's web site ([www.angloandoverseas.com](http://www.angloandoverseas.com)) or on Edinburgh Partners' website ([www.edinburghpartners.com](http://www.edinburghpartners.com)).

The Company is permitted to buy back its own shares. During the period under review the Company repurchased a total of 1,087,611 shares which are currently held as treasury stock. The shares repurchased during the period represented over 1% of the shares in issue at the start of the period. In total since the Company's launch in July 2005 to the date of this report a total of 1,444,285 shares have been repurchased at an average cost of 116.2p.

## CHAIRMAN'S STATEMENT - continued

The authority to repurchase shares will expire at the Annual General Meeting on 8 November 2007 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 the open market and for the shares to be either cancelled or placed in treasury. The authority will be used when supply exceeds demand and where the Directors consider it to be in the best interests of shareholders. No shares will be repurchased if it would dilute the net asset value of the remaining shares.

### Revenue and dividend

There was a significant increase in the revenue generated from the portfolio in the period under review. The net revenue generated was 2.81p, which compared to 2.38p per share in the prior period, an increase of 18.1%. Net revenue in the comparative period benefited from Edinburgh Partners waiving its management fee from the launch of the Company to 31 July 2006.

The increase in revenue during the period under review resulted from both dividend increases from portfolio companies and investment in higher yielding stocks.

As a result of the increased revenue generated during the period, I am pleased to be able to report that your Board is recommending a final dividend of 1.58p, which together with the interim dividend of 0.62p per share paid in May 2007 totals 2.20p and represents an increase of 14.6% on the dividend of 1.92p for the prior accounting period. Your Directors have noted that many shareholders value a steady increase in the income from their investments, while being clearly aware that the investment policy pursued by the Investment Manager is driven by where they consider the best value to be rather than income considerations.

Subject to the approval of shareholders at the Annual General Meeting on 8 November 2007 the proposed final dividend of 1.58p will be paid on 14 November 2007 to shareholders on the register as at 26 October 2007. The ex-dividend date will be 24 October 2007.

The Board notes the recent judgment of the European Court of Justice that the investment management fees of investment trusts should be exempt from VAT in the same way as unit trusts and OEICs. While the UK Government can appeal this judgment, the Board will monitor the position and, if possible, will seek to reclaim VAT charged on investment management fees.

### Outlook

Global equity markets have remained resilient despite the dampening effect of rising interest rates on the consumer and tighter liquidity in the financial sector. While recent action by the Federal Reserve in the US has attempted to restore confidence, it is likely that economic growth will slow going forward.

In my March statement in the interim accounts, I highlighted the fear that investors had not priced riskier assets with sufficient caution. The fall-out in the US sub-prime mortgage market has resulted in large losses for some investors, with Ben Bernanke, chairman of the US Federal Reserve, forecasting that the total default loss could reach US\$100bn. While this will gradually work its way out of the system, the beneficial impact going forward is that risk spreads have widened and lending has returned to more rational levels. Nevertheless, we remain convinced that economic cyclicalities will return and slower growth rates will have a significant impact in companies which have high levels of operational gearing.

Equity markets are exhibiting more volatility than they have for some time and it will inevitably be a bumpy ride for investors. The Company's portfolio is constructed from a valuation perspective and we still see good opportunities for long term investors in companies where balance sheets are strong and valuations reasonable. We expect our Investment Manager to remain relatively fully invested.

**Robert Alcock**  
Chairman

3 October 2007

## MANAGER'S REPORT AND PORTFOLIO ANALYSIS

### Overview

The Company's investments are managed in concentrated UK and International portfolios, with each portfolio representing between 40% and 60% of the Company's total investments. Investments are selected on the basis of valuation, rather than an index position, with due care being given to correlation risk and earnings risk that might occur in portfolio construction. As a result, relative performance is likely to remain volatile against any index.

In the period to end July 2007 there has been no material shift in the geographic allocation of investments. Exposure to European companies remained around 25%, while US exposure rose from 11% to 15% and the UK from 49% to 54%. These increases were funded by selling shares in selected Japanese investments and by reducing cash balances to nominal levels.

### UK

The UK portfolio performed well over the first half of the financial period, but performed less well over the final six months. There are two specific issues that have been responsible for these relative movements. The UK portfolio has had no exposure to the Oil & Gas or Mining sectors and they have performed very well in the past six months and account for a large part of the FTSE All-Share Index. A second issue has been the underperformance of UK banks, in which the portfolio was overweight, relative to the FTSE All-Share Index during the second half of the period.

Short-term movements in the oil price often reflect political tension in countries such as Iran and Nigeria. We need to look at more fundamental factors to determine valuations. The supply demand balance of crude oil has loosened and the divergence between prices and inventories has increased. In short, this is a cyclical industry, where we are approaching peak earnings. In addition, cost inflation is running at very high levels. Valuations on our five year time horizon are not excessive, but they are at the expensive side of fair value and we can find more attractive investments elsewhere.

The position of Mining companies is similar to Oil companies, only more so! Higher commodity prices produce a supply response and although there have been no new world class discoveries in the past decade, most projects are scalable, with the main constraint being infrastructure. The industry has been operating with high levels of capital expenditure for the past five years and some commodities, such as copper, will soon see significant additional supply. We take heart that while companies might talk about the sustainability of the cycle, they have yet to demonstrate faith in it by increasing permanent dividends anywhere close to the earnings growth rates they are achieving.

While some investors seem willing to believe in secular global growth, we remain convinced that it is still cyclical and a slowdown in the US will impact the global economy. The financial sector has been particularly hard hit as concerns have grown that sub-prime losses will impact the capital position and funding of the banking sector. So far, this is an issue of confidence, not credit quality. While this is having an impact on profitability in the short-term, we believe that the actions already undertaken by the regulatory authorities will lead to liquidity returning. Nevertheless, this is likely to lead to slower growth in lending and a rise in the cost of borrowing, which will further depress economic growth. It will inevitably be a bumpy road for investors, but we believe that it is likely to offer some attractive buying opportunities.

The recent rise in interest rates will slow UK economic growth. It will be more difficult for companies to grow earnings from rising top-line sales growth. To counteract this pressure we have searched for companies that we believe have sustainable earnings and the ability to improve their earnings through improving their operating margins. Examples would include Compass and Rexam. Compass is the world's largest food service company. The new chief executive has sold off low margin businesses and is rationalising operational activities to improve efficiency and flexibility. Similarly, Rexam is the world's largest can producer. It has suffered from rising aluminium prices, but will gradually recover this from customers when contracts renew. It has sold off its glass division, where it was a regional player and consolidated its position in high value plastic packaging.

### **International**

Investors appear to be clinging to the irrational belief that global economies can decouple from each other. The result is that significant value is emerging in parts of the market where a downturn is already evident, notably in US housing and financial stocks, however many other areas of the market are pricing in uninterrupted growth.

This imbalance between risk and reward has prompted us to reduce our exposure to areas of the market which are sensitive to asset prices or investment market conditions. Over the year we therefore sold Bank Mandiri, the Indonesian bank, OTP Bank of Hungary, and Swedbank, the Swedish based banking group, which has substantial exposure to the Baltic States.

Purchases have concentrated on companies which can grow their profits and cash flows independently of the world economic cycle. Intesa Sanpaolo, the Italian bank, will benefit from merger synergies, while Depfa Bank, a leading lender to European public sector institutions, is not exposed to the conventional bank credit cycle.

Other companies which are able to grow in the face of an economic slowdown include those with access to scarce commodities. As a result we bought Bunge, a processor of agricultural produce with a strong market position in Brazil, and Gazprom, the world's largest producer of natural gas. Yamaha Motor in Japan gives us exposure to increasing prosperity across Asia, where it is a leading manufacturer of motorcycles.

Companies with strong balance sheets and cash flows which can fund growing distributions to shareholders have also been added to the portfolio. Notable examples of these are Nokia, the Finnish based telecommunications group, and General Electric in the USA.

### **Outlook**

The Company's portfolio is constructed from a valuation perspective, rather than from an index basis. Global growth is slowing and it will be more difficult for companies to drive revenues forward. Investors will become re-acquainted with the impact of operational gearing.

We have identified companies with sustainable earnings and the ability to improve earnings by increasing operating margins and that can also utilise the strength of their balance sheets. We believe that share prices will follow long-term earnings potential and therefore our clear objective is to identify companies with low five year price earnings ratios and build a portfolio that will generate superior long-term investment returns.

**Dr Sandy Nairn**  
Edinburgh Partners Limited

**Graham Campbell**  
Edinburgh Partners Limited

3 October 2007

**PORTFOLIO OF INVESTMENTS**  
as at 31 July 2007

**20 Largest Investments**

Company	Industrial Classification	Country	Valuation £'000	% of Total
				Net Assets
Vodafone Group	Mobile Telecommunications	United Kingdom	2,920	2.5
Treasury 5% 07/09/2014	Fixed Income Investment	United Kingdom	2,818	2.4
Rexam	General Industrials	United Kingdom	2,817	2.4
Royal Bank of Scotland	Banks	United Kingdom	2,533	2.2
Mothercare	General Retailers	United Kingdom	2,470	2.1
GlaxoSmithKline	Pharmaceuticals and Biotechnology	United Kingdom	2,353	2.0
Dell	Technology Hardware and Equipment	United States	2,037	1.8
E.On	Gas, Water and Multiutilities	Germany	2,034	1.8
HSBC Holdings	Banks	United Kingdom	2,011	1.7
Koninklijke KPN	Fixed Line Telecommunications	Netherlands	1,952	1.7
Ahold	Food and Drug Retailers	Netherlands	1,916	1.7
Depfa Bank	Banks	Germany	1,893	1.6
Domestic & General	Non Life Insurance	United Kingdom	1,857	1.6
Menzies (John)	Support Services	United Kingdom	1,853	1.6
SABMiller	Beverages	United Kingdom	1,846	1.6
HBOS	Banks	United Kingdom	1,842	1.6
Balfour Beatty	Construction and Materials	United Kingdom	1,808	1.6
Lloyds TSB	Banks	United Kingdom	1,786	1.6
Compass	Travel and Leisure	United Kingdom	1,761	1.5
Yell	Media	United Kingdom	1,744	1.5
<b>Total - 20 Largest Investments</b>			<b>42,251</b>	<b>36.5</b>

**Other Investments**

Company	Industrial Classification	Country	Valuation £'000	% of Total
				Net Assets
Morrison (W) Supermarket	Food and Drug Retailers	United Kingdom	1,742	1.5
Telefonica	Fixed Line Telecommunications	Spain	1,700	1.5
Hyder Consulting	Support Services	United Kingdom	1,680	1.5
Cadbury Schweppes	Food Producers	United Kingdom	1,674	1.4
Bunge	Food Producers	United States	1,605	1.4
Symantec	Software and Computer Services	United States	1,585	1.4
William Hill	Travel and Leisure	United Kingdom	1,581	1.4
Sanofi -Aventis	Pharmaceuticals and Biotechnology	France	1,532	1.3
Portugal Telecom	Fixed Line Telecommunications	Portugal	1,524	1.3
Credit Agricole	Banks	France	1,502	1.3
Brammer	Support Services	United Kingdom	1,499	1.3
Bradford & Bingley	Banks	United Kingdom	1,493	1.3
Intel	Technology Hardware and Equipment	United States	1,476	1.3
Deutsche Post	Industrial Transportation	Germany	1,472	1.3
Swiss Life Holding	Life Insurance	Switzerland	1,470	1.3
AGFA Gevaert	Electronic and Electrical Equipment	Belgium	1,451	1.3
DT Beteiligungs	Equity Investment Instruments	Germany	1,431	1.2
Aviva	Life Insurance	United Kingdom	1,416	1.2
Northern Rock	Banks	United Kingdom	1,413	1.2
General Electric	General Industrials	United States	1,410	1.2
Alliance & Leicester	Banks	United Kingdom	1,404	1.2
Reed Elsevier	Media	United Kingdom	1,347	1.2

**PORTFOLIO OF INVESTMENTS - continued**  
as at 31 July 2007

**Other Investments - continued**

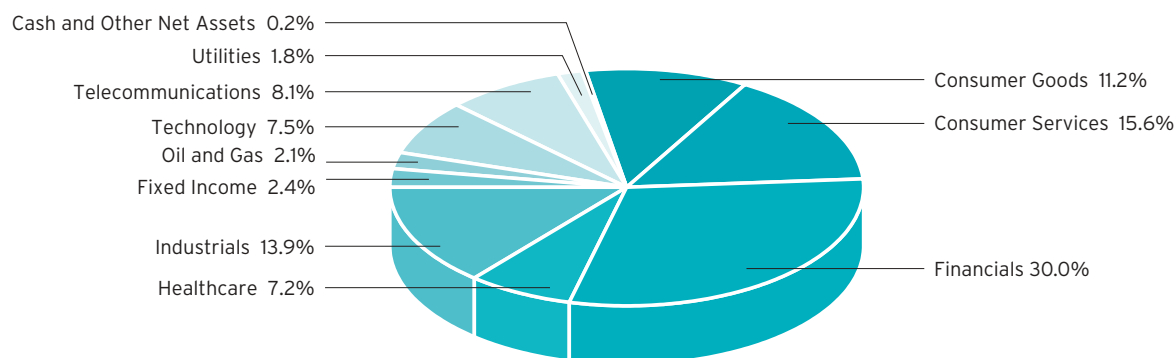
Company	Industrial Classification	Country	Valuation £'000	% of Total Net Assets
ConocoPhillips	Oil and Gas Producers	United States	1,310	1.1
Intesa Sanpaola	Banks	Italy	1,293	1.1
Mizuho Financial	Banks	Japan	1,285	1.1
Novartis	Pharmaceuticals and Biotechnology	Switzerland	1,282	1.1
Scottish and Newcastle	Beverages	United Kingdom	1,275	1.1
Nexity	Real Estate	France	1,268	1.1
Home Depot	General Retailers	United States	1,259	1.1
MacFarlane	Support Services	United Kingdom	1,254	1.1
Sage Group	Software and Computer Services	United Kingdom	1,249	1.1
British American Tobacco	Tobacco	United Kingdom	1,248	1.1
SK Telecom	Mobile Telecommunications	Korea, Republic of	1,246	1.1
Yamaha Motor	Automobiles and Parts	Japan	1,236	1.1
Bank of America	Banks	United States	1,215	1.1
American International Group	Non Life Insurance	United States	1,211	1.0
LogicaCMG	Software and Computer Services	United Kingdom	1,184	1.0
T Is Bankasi	Banks	Turkey	1,181	1.0
McBride	Household Goods	United Kingdom	1,164	1.0
Jardine Lloyd Thompson	Non Life Insurance	United Kingdom	1,162	1.0
Johnson & Johnson	Pharmaceuticals and Biotechnology	United States	1,161	1.0
Persimmon	Personal and Household Goods	United Kingdom	1,161	1.0
Nokia	Technology Hardware and Equipment	Finland	1,140	1.0
Next	General Retailers	United Kingdom	1,139	1.0
Barratt Development	Personal and Household Goods	United Kingdom	1,122	1.0
Pfizer	Pharmaceuticals and Biotechnology	United States	1,121	1.0
Gazprom	Oil and Gas Producers	Russia	1,111	1.0
British Airways	Travel and Leisure	United Kingdom	1,094	0.9
Collins Stewart	General Financial	United Kingdom	1,090	0.9
Carnival	Travel and Leisure	United Kingdom	1,087	0.9
Allied Irish Banks	Banks	Ireland	1,080	0.9
Acom	General Financial	Japan	966	0.8
Whatman	Health Care Equipment and Services	United Kingdom	916	0.8
Randstad	Support Services	Netherlands	879	0.8
Johnston Press	Media	United Kingdom	866	0.7
Countrywide Financial	General Financial	United States	859	0.7
Pulte Homes	Personal and Household Goods	United States	675	0.6
<b>Total - 77 investments</b>			<b>115,447</b>	<b>99.8</b>
Cash and other net assets			258	0.2
<b>Total net assets</b>			<b>115,705</b>	<b>100.0</b>

## DISTRIBUTION OF INVESTMENTS

as at 31 July 2007 (% of total net assets)

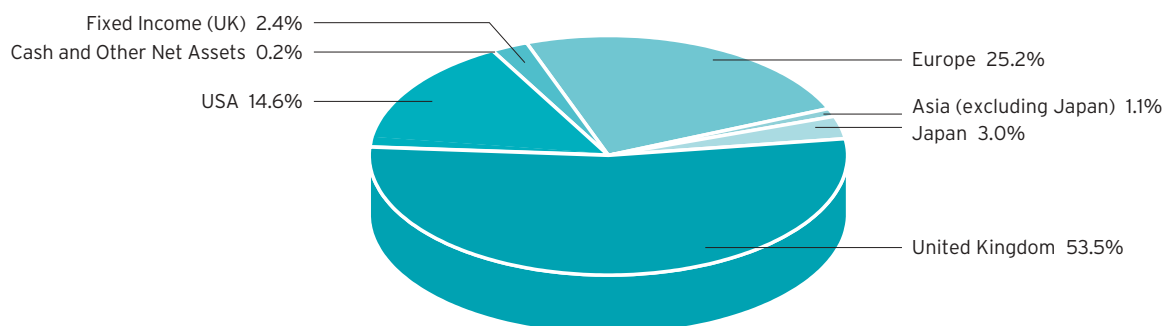
### Sector distribution

as at 31 July 2007



### Geographical distribution

as at 31 July 2007



Source: Edinburgh Partners Limited

## INVESTMENT MANAGER

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

**Sandy Nairn (46) 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 (47) BA, MBA, ASIP** Graham is one of the founders, an Investment Partner and a Director of Edinburgh Partners. He is responsible for company research into the global pharmaceutical sector and is lead manager of all UK equity portfolios. 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 (48) 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.

**Stephen Anderson (46) BSc** Stephen is a founder 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 (40) 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. Ian 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.

**Andrew Herberts (37)** Andrew is an Investment Partner with Edinburgh Partners. He has research responsibility for the global retail/consumer sector. From 2002 to 2006 he was an investment director and lead manager of global retail funds at Scottish Widows Investment Partnership. Previously he spent three years as an investment manager with Edinburgh Fund Managers. He previously served as a Commissioned Officer in the British Army.

**Anthony Mather (41) 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 of several income and growth retail funds.

**Christine Montgomery (45)** Christine is an Investment Partner with Edinburgh Partners. She has research responsibility for the global insurance sector. 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 (44)** 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 (37) 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 (41) BA (Hons)** Robin is an Investment Partner with Edinburgh Partners and has responsibility for global and international portfolios and for researching the global resources 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.

### **Robert Alcock (Chairman)**

Robert Alcock, aged 66, is the senior independent director of Huntsworth PLC, a non-executive director of Connaught PLC, senior independent director of Leed Petroleum PLC and chairman of Next Pensions Limited. He was formerly a non-executive director of Capita Group PLC, Simon Group PLC and a director of Cornwell & Parker PLC, Norcros PLC, Black & Decker Inc. and the Gulf Oil Company.

### **Christopher Duffett**

Christopher Duffett, aged 64, 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 and is a former chairman of the Association of Investment Companies and formerly a member of the Takeover Panel.

### **John Pearmund**

John Pearmund, aged 54, is the Senior Independent Director of the Company and is Chairman of the Audit Committee. A Chartered Accountant, he is chief executive of Domestic & General Group PLC and was formerly chief executive of Freemans PLC and a director of Sears plc.

### **John Sussens**

John Sussens, aged 61, is a senior independent director of Admiral Group plc, Cookson Group plc and Phoenix IT Group Plc. He was a non-executive director of Chubb plc, Searchspace Limited and group managing director of Misys plc.

### **Giles Weaver**

Giles Weaver, aged 61, 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 Ltd.

### **Secretary and Registered Office**

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

### **Investment Manager**

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Edinburgh EH2 4DJ

### **Auditors**

KPMG Audit Plc  
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Canary Wharf  
London E14 5AG

### **Registrar and Transfer Office**

Computershare Investor Services PLC  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol BS99 7NH

### **Marketing Adviser**

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

### **Solicitor**

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3 More London  
Riverside  
London 3EI 2AQ

### **Bankers and Custodian**

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One Canada Square  
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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 period from 29 July 2006 to 31 July 2007.

The Company was incorporated on 12 May 2005 and it commenced trading on 29 July 2005. The first Annual Report and Financial Statements covered the 365 day trading period from 29 July 2005 to 28 July 2006. This ensured that the accounts were in alignment with the Company's first tax accounting period. The Directors decided that it would be beneficial to prepare these accounts to the Company's accounting reference date of 31 July and thus this second Annual Report and Financial Statements covers the 368 day period from 29 July 2006 to 31 July 2007.

### **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 and an analysis of its performance during the financial period and the position at the period end. To aid understanding of these areas the Board are 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 we make.

### *Business and status of the Company*

The Company is registered as a public limited company under the Companies Act 1985 (as amended) and is an investment company within the terms of Section 266 of that Act. 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 ICTA 1988 for the period from inception to 28 July 2006. 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.

The Company's investment policy, strategy and portfolio analysis set out below and in the Annual Report provides information in relation to its investment activities as required by the listing rules for closed ended investment funds.

### *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*

The Company invests principally in securities of publicly quoted companies worldwide, though it may invest 5 per cent of its gross assets in unquoted securities. There are concentrated UK and international portfolios, with each portfolio representing between 40 and 60 per cent of the Company's total investments, and comprising 30 to 40 securities. The Company's investments are managed without reference to the composition of any stock market index.

It is intended from time to time, and when deemed appropriate, that the Company will borrow for investment purposes in various currencies up to the equivalent of 10 per cent of its net assets at the time of draw-down of the relevant borrowings.

The Company has the ability to invest up to 10 per cent of its gross assets in other listed investment companies or funds, including investment trusts.

The Company has the ability to invest a proportion of its assets in bonds and other debt instruments, cash or short-term deposits 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. In addition the Company may purchase derivatives for the purposes of efficient portfolio management.

The investment objective and policy stated above are intended to distinguish the Company from other investment vehicles which have relatively narrow investment objectives and which are constrained in their decision making and asset allocation. The objective and policy allow the Company to be constrained in its investment selection only by valuation and to be pragmatic in portfolio construction by only investing in securities which the Investment Manager considers to be undervalued on an absolute basis. There is no current intention to change the investment policy stated above.

### *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 Limited 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.

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

## DIRECTORS' REPORT - continued

### *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. In accordance with the Company's investment objective stated above the portfolio will comprise, in aggregate, between 60 and 80 securities; otherwise no specific limits have been set by the Board on the amount that can be invested in any one stock. However investment trust status requires that the holdings in other companies be limited to a maximum of 15% of the Company's investments, at the point of investment.

A detailed review of how the Company's assets have been invested is contained in the Chairman's Statement on pages 3 and 4 and 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 77 investments, excluding cash and other net assets, as at 31 July 2007, with the largest investment representing 2.5% of total 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 controls*

The Board considers that the following are the principal risks associated with investing in the Company:

Investment and strategy; discount volatility; market risk; liquidity risk; foreign currency risk; gearing risk; regulatory risk; operational risk; financial risk; and risk relating to the loss of key personnel.

*Investment and strategy:* Anglo & Overseas Plc may underperform 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 quarterly and monthly reports from the Investment Manager detailing all portfolio transactions and any other significant changes in the market or stock outlooks.

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:* The Board recognises that it is in the long-term interests of shareholders to reduce the discount volatility and believes that the prime driver of discounts over the longer-term is 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 buyback policy. During the period the following buy backs into treasury have been made:

Date of buy back	Number of shares	Price paid per share
3 August 2006	400,000	£1.079344
31 August 2006	67,500	£1.119630
5 September 2006	50,000	£1.1345
19 April 2007	160,000	£1.285
25 June 2007	300,000	£1.25
24 July 2007	20,111	£1.21
26 July 2007	90,000	£1.174664

The total number of shares held in treasury as at 31 July 2007, including those shares bought back in the prior accounting period, totalled 1,394,285 shares.

Subsequent to the period end, the following buy back has been made:

Date	Number of shares	Price paid per share
20 September 2007	50,000	£1.155

The total number of shares held in treasury at the date of this report totalled 1,444,285 shares.

All of the share buy backs shown above were made at prices below the prevailing net asset value of the shares.

These shares were bought back to be held in treasury. The Board has the authority to buy back up to 14.99% of the shares in issue, although only 10% of the Company's share capital may be held in treasury at any one time. Any buy back of shares has been made in accordance with The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 and within the guidelines established from time to time by the Board. 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). Further details of the Company's share buy back powers can be found on page 18.

During the forthcoming year the Directors will consider selling shares from treasury, in order to meet demand as it arises. Any shares sold from treasury will only be at prices at or above the prevailing net asset value per share (plus costs of the relevant sale). This should result in a positive overall effect on 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.

*Market risk:* The Company is exposed to market risk due to fluctuations in the market prices of its investments.

The Investment Manager actively monitors market and economic data and reports to the Board, which considers investment policy on a regular basis. The NAV of the Company is issued daily to the London Stock Exchange.

*Liquidity risk:* The Company's policy with regard to liquidity is to ensure continuity of funding. Short-term flexibility is achieved through overdraft facilities.

The Company's assets consist mainly of readily realisable securities which can be sold freely to meet funding requirements if necessary.

*Foreign currency risk:* 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 fluctuation.

## DIRECTORS' REPORT - continued

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.

*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. The Board has indicated its intention that for the time being gearing would not exceed 10% of net asset value. 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 2007, nor does it at the date of this Report.

*Regulatory risk:* Failure to satisfy the conditions of Section 842 of the ICTA 1988 may lead to Anglo & Overseas Plc being subject to tax on realised capital gains. A breach of the rules of the London Stock Exchange may result in censure by the Financial Services Authority ("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 ICTA 1988 and FSA requirements. These checks are reviewed at each Board meeting.

*Operational risk:* There are a number of operational risks associated with the fact that third parties undertake the Company's administration and custody of assets. The main risk is that third parties might fail to ensure that statutory requirements such as Companies Act and London Stock Exchange requirements 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 their report on internal controls (AAF 01/06 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 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 person risk:* There is a risk that key personnel within the Investment Manager might leave the company or are not 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.

The Board undertakes an annual assessment and review of all the risks stated above together with a review of any new risks which may have arisen during the period. These risks are formalised within the Company's risk assessment matrix.

### Performance

*Results and dividends:* The results for the period are set out in the Income Statement on page 30 and in the Reconciliation of Movements in Shareholders' Funds on page 32. The Directors recommend a dividend of 1.58p (Interim 2007: 0.62p) per Ordinary Share amounting to £1,395,000 (Interim 2007: £552,000) to be paid on 14 November 2007 to shareholders on the register as at the close of business on 26 October 2007.

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 per Ordinary Share including revenue reserves as at 31 July 2007 was 130.99p.

### 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:

- Net asset value ("NAV") per Ordinary share
- Share price
- Discount/premium to NAV
- Earnings per share
- Dividend per share
- Portfolio turnover
- Expense ratio

The records of the key performance indicators are shown below:

	31 July 2007	28 July 2006	Change
Net asset value per Ordinary Share	<b>130.99p</b>	118.36p	+10.7%
Share price per Ordinary Share	<b>118.25p</b>	108.75p	+8.7%
(Discount)/premium to NAV (excluding income)	<b>(9.1)%</b>	(6.7)%	

	Period 29 July 2006 to 31 July 2007	Period 12 May 2005* to 28 July 2006
Earnings per share	<b>2.81p</b>	2.38p
Dividend per share	<b>2.20p</b>	1.92p
Portfolio turnover	<b>45%</b>	36%
Expense ratio**	<b>0.9%</b>	0.4%

\* The Company was incorporated on 12 May 2005, but did not start trading until 29 July 2005.

\*\* Investment management fees were waived by Edinburgh Partners for the period from 12 May 2005 to 31 July 2006, thus no investment management fees were incurred in the period from 12 May 2005 to 28 July 2006.

### Current and future developments

A review of the main features of the period is to be found in the Chairman's Statement on pages 3 and 4 and in the Investment 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.

**Purchase of own shares**

At the Annual General Meeting held on 10 November 2006 the Directors were granted the authority to purchase up to 14.99% (13,326,141) of the Company's Ordinary Shares (either for cancellation or for placing into treasury). During the period from 10 November 2006 to 31 July 2007 570,111 shares were purchased and placed into treasury. Subsequent to the period end and to the date of this report, a further 50,000 shares were purchased and placed into treasury. Details of all of these purchases can be found in the Business Review.

As at the date of this report, the Company may purchase up to 12,706,030 shares under this existing authority. The Directors will seek to renew this authority at the forthcoming Annual General Meeting. The renewed authority will authorise the Company to make market purchases of up to 13,233,186 Ordinary Shares, being 14.99% of the Company's issued share capital (excluding shares held in treasury) as at the date of this report or, if less, 14.99% of the issued share capital (excluding shares held in treasury) immediately following the passing of this resolution.

In accordance with the Listing Rules of the UK Listing Authority, the price paid for shares will be not less than 10p per Ordinary Share, and not more than 5% above the average middle market quotations 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. 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.

**Issue of shares from treasury**

In accordance with the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, the Company is permitted to hold up to 10% of its issued Ordinary Shares in treasury at any one time. Holding shares in treasury enables a company to issue shares that might otherwise have been cancelled quickly and cost effectively. The Board will only sell shares from treasury at a price at or above the prevailing net asset value per share.

**Management Agreement**

The Company's investments are managed by Edinburgh Partners under an Investment Management Agreement dated 23 June 2005 (the "Investment Management Agreement"). From 1 August 2006 Edinburgh Partners received a management fee of 0.125% per quarter of the market capitalisation of the issued Ordinary Shares, payable quarterly in arrears, plus an administration fee of £103,000 per annum, payable quarterly in arrears and adjusted annually in line with changes in the Retail Prices Index. The Investment Manager waived its right to a management fee for the period to 31 July 2006. The 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 this view are that the investment performance of the Company is satisfactory relative to that of the markets in which the Company invests and because the remuneration of the Investment Manager is 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.

## Directors

The Directors in office during the period and at the date of this Report are as shown below. Further information on the Directors can be found on page 11.

Robert Alcock  
Christopher Duffett  
John Pearmund  
John Sussens  
Giles Weaver

The Chairman of the Company is Robert Alcock. He does not have any significant other commitments that would affect his chairmanship of the Company. All of the Directors are non-executive and independent of the Investment Manager. Other than their letters of appointment as Directors, none of the Directors has a contract of service with the Company nor has there been any other contract or arrangement between the Company and any Director at any time during the period. These letters of appointment are available for inspection on request.

The Company's Articles require that one third of the Directors retire by rotation at each Annual General Meeting, and at least at every third Annual General Meeting, which reflects the AIC Code requirement for all Directors to retire at least once every three years. 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 Pearmund and Giles Weaver will retire as Directors of the Company and will offer themselves for re-election. The Board strongly recommends the re-election of each of the Directors to shareholders, on the basis of their individual expertise and experience in investment matters and their 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 period ended 31 July 2007. This evaluation consisted of a questionnaire based approach, the results of which were discussed in detail between the Chairman and each of the Directors.

The Directors of the Company receive daily notification of net asset value, 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 and risks. The number of Board meetings held during the period and the attendance of each Director is shown below:

<i>Number of Board meetings held during the period:</i>	4
Number of meetings attended by each Director:	
Robert Alcock	4
Christopher Duffett	4
John Pearmund	4
John Sussens	3
Giles Weaver	4

Subsequent to the period 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 and meetings held by telephone conference facility were held during the period to deal with specific matters, such as purchases of the Company's own shares.

## DIRECTORS' REPORT - continued

### Directors' interests

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

	31 July 2007	28 July 2006
<b>Ordinary Shares:</b>		
Robert Alcock	20,000	15,335
- Beneficial interest	20,000	10,000
- Non-beneficial interest	-	5,335
Christopher Duffett	73,613	43,613
John Pearmund	26,427	19,771
John Sussens	5,000	5,000
Giles Weaver	240,000	118,065

There have been no changes to these holdings between 31 July 2007 and the date of this report.

### 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	3.95
Legal & General Group Plc	2,674,427	3.03

### 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"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of 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), will provide better information to shareholders.

The Company has complied 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 Combined 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 John Pearmund as the Company's Senior Independent Director.

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

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.

#### ***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, 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***

The Audit Committee is chaired by John Pearmund and comprises all members of the Board. The Directors believe that Mr Pearmund, 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. The Committee meets at least twice at the time of the annual and interim results of the Company, and meets with the Auditor, without the Manager being present, at least once a year. The number of Audit Committee meetings held during the period and the attendance of each Committee member is shown below:

<i>Number of Audit Committee meetings held during the period</i>	2
Number of meetings attended by each member:	
Robert Alcock	2
Christopher Duffett	2
John Pearmund	2
John Sussens	2
Giles Weaver	2

One further meeting of the Committee has been held subsequent to the period end, which was attended by all members of the Committee.

## DIRECTORS' REPORT - continued

### ***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 will meet at least once a year to review the terms of the Management Agreement, assess the continuing appointment of the Manager and the Company's other service providers and agree the remuneration of the Directors. The number of Remuneration and Management Engagement Committee meetings held during the period and the attendance of each Committee member is shown below:

<i>Number of Remuneration and Management Engagement Committee meetings held during the period</i>	1
Number of meetings attended by each member:	
Robert Alcock	1
Christopher Duffett	1
John Pearmund	1
John Sussens	1
Giles Weaver	1

Full details of the remuneration arrangements for Directors can be found in the Directors' Remuneration Report on pages 25 and 26.

### ***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. The number of Nomination Committee meetings held during the period and the attendance of each Committee member is shown below:

<i>Number of Nomination Committee meetings held during the period</i>	1
Number of meetings attended by each member:	
Robert Alcock	1
Christopher Duffett	1
John Pearmund	1
John Sussens	1
Giles Weaver	1

### ***Independent professional advice and insurance***

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.

### ***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 Turnbull Committee on internal controls, has been implemented for identifying, evaluating and managing risks faced by the Company. This process has been in place throughout the period 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 period 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.

### ***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;
- 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;
- 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;
- 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;
- The Board reviews financial information produced by the Investment Manager and Capita Sinclair Henderson 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 period, as set out above.

***The Company Secretary***

The Board has direct access to the advice and services of the Company Secretary, 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.

**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 the period end.

**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**

Resolution 7 (a Special Resolution), as set out in the notice of meeting, if passed, will give the Directors the authority to purchase in the market (either for cancellation or placing into treasury) 13,233,186 Ordinary Shares (being 14.99% of the issued share capital (excluding shares held in treasury) as at the date of this report) or, if less, 14.99% of the issued share capital (excluding shares held in treasury) immediately following the passing of this resolution.

Resolution 8 (an Ordinary Resolution), as set out in the notice of meeting, if passed, will renew the Directors' authority to issue up to 29,908,127 Ordinary Shares (being one third of the issued share capital as at 31 July 2007), in accordance with statutory pre-emption rights.

Resolution 9 (a Special Resolution), as set out in the notice of meeting, if passed, will renew the Directors' authority to issue up to 8,972,438 Ordinary Shares (being 10% of the issued share capital as at 31 July 2007) without first having to offer these shares to existing shareholders. This authority relates to either issues of new shares or sales of shares held in treasury.

By order of the Board  
**Kenneth J Greig**  
Secretary

3 October 2007

## DIRECTORS' REMUNERATION REPORT

The Directors submit this Report in accordance with the requirements of Schedule 7A to the Companies Act 1985. 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 28 and 29.

### 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 22.

### 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. It is intended that this policy will continue for the year ending 31 July 2008 and for subsequent financial years.

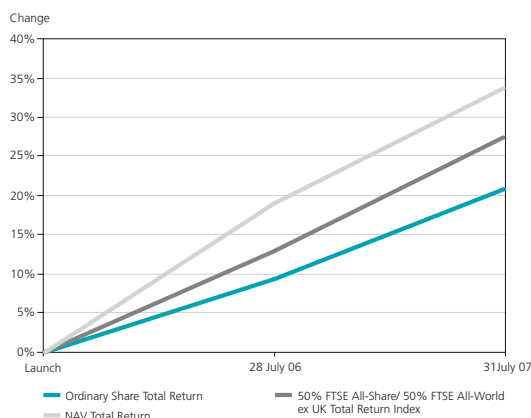
The fees of the Directors are determined within the limits set out in the Company's Articles of Association, and they are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

### Directors' service contracts

Other than letters of appointment governing their appointment as Directors, none of the Directors has a contract of service with the Company, nor has there been any contract or arrangement between the Company and any Director at any time during the period. 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.

### 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 9.1% discount as at 31 July 2007.



Source: Edinburgh Partners Limited

## DIRECTORS' REMUNERATION REPORT - continued

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

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

	29 July 2006 to 31 July 2007	12 May 2005 to 28 July 2006
	£	£
Robert Alcock	36,000	36,000
Christopher Duffett	21,000	21,000
John Pearmund	21,000	21,000
John Sussens	21,000	21,000
Giles Weaver	21,000	21,000

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

### Approval

The Directors' Remuneration Report was approved by the Board on 3 October 2007.

**Robert Alcock**  
Chairman

## 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 period. 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).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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.

## **INDEPENDENT AUDITORS' REPORT**

to the members of Anglo & Overseas Plc

We have audited the Financial Statements of Anglo & Overseas Plc for the period ended 31 July 2007 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Statement of Cash Flows and the related notes. These Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

### **Respective responsibilities of Directors and Auditors**

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 27.

Our responsibility is to audit the Financial Statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements. The information given in the Directors' Report includes that specific information presented in the Business Review. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

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

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

**Opinion**

In our opinion:

- The Financial Statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 July 2007 and of its total return for the period then ended;
- The Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' Report is consistent with the Financial Statements.

**KPMG Audit Plc**  
Chartered Accountants  
London

3 October 2007

## INCOME STATEMENT

for the period 29 July 2006 to 31 July 2007

		29 July 2006 to 31 July 2007			12 May 2005 to 28 July 2006		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	8	-	11,119	11,119	-	14,976	14,976
Foreign exchange losses on capital items	8	-	(416)	(416)	-	(70)	(70)
Income	2	3,452	-	3,452	2,744	-	2,744
Investment management fee	3	(274)	(273)	(547)	-	-	-
Other expenses	4	(496)	(42)	(538)	(402)	-	(402)
<b>Net return before taxation</b>		<b>2,682</b>	<b>10,388</b>	<b>13,070</b>	<b>2,342</b>	<b>14,906</b>	<b>17,248</b>
Taxation	5	(191)	-	(191)	(213)	-	(213)
<b>Net return after taxation</b>		<b>2,491</b>	<b>10,388</b>	<b>12,879</b>	<b>2,129</b>	<b>14,906</b>	<b>17,035</b>
<b>Return per Ordinary Share*</b>	7	<b>pence 2.81</b>	<b>pence 11.69</b>	<b>pence 14.50</b>	<b>pence 2.38</b>	<b>pence 16.63</b>	<b>pence 19.01</b>

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.

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

\* Based on the weighted average number of shares in issue during the period.

The notes on pages 35 to 43 form part of these financial statements.

**BALANCE SHEET**  
as at 31 July 2007

	Notes	31 July 2007 £'000	28 July 2006 £'000
<b>Fixed assets:</b>			
Investments at fair value	8	115,447	101,443
<b>Current assets:</b>			
Debtors	10	457	663
Short-term investments - cash on deposit		-	3,339
Cash at bank		99	1,610
		<u>556</u>	<u>5,612</u>
<b>Creditors - amounts falling due within one year</b>	11	<u>298</u>	<u>1,221</u>
<b>Net current assets</b>		<u>258</u>	<u>4,391</u>
<b>Net assets</b>		<u>115,705</u>	<u>105,834</u>
<b>Capital and reserves:</b>			
Called-up share capital	14	8,972	8,972
Special reserve		80,652	80,652
Capital redemption reserve		50	50
Capital reserve - realised		19,812	6,173
- unrealised		5,482	8,733
Distributable revenue reserve		2,357	1,591
Own shares held in treasury	18	(1,620)	(337)
<b>Total equity shareholders' funds</b>		<u>115,705</u>	<u>105,834</u>
<b>Net asset value per Ordinary Share</b>	15	<u>pence 130.99</u>	<u>pence 118.36</u>

These financial statements were approved by the Board of Directors on 3 October 2007.

**Robert Alcock**  
Chairman

The notes on pages 35 to 43 form part of these financial statements.

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
for the period 29 July 2006 to 31 July 2007

	Notes	Called-up share capital £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Distributable revenue reserve £'000	Own shares held in treasury £'000	Total equity shareholders' funds £'000
<b>Period ended 31 July 2007</b>									
As at 29 July 2006		8,972	80,652	50	6,173	8,733	1,591	(337)	105,834
Cost of own shares bought into treasury	18	-	-	-	-	-	-	(1,283)	(1,283)
Unrealised appreciation on investments	8	-	-	-	-	(3,251)	-	-	(3,251)
Net gain on realisation of investments	8	-	-	-	14,370	-	-	-	14,370
Foreign exchange losses on capital items	8	-	-	-	(416)	-	-	-	(416)
Dividends paid in the period	6	-	-	-	-	-	(1,725)	-	(1,725)
Investment Management fee (including VAT)		-	-	-	(315)	-	-	-	(315)
Retained net return for the period		-	-	-	-	-	2,491	-	2,491
<b>As at 31 July 2007</b>		<b>8,972</b>	<b>80,652</b>	<b>50</b>	<b>19,812</b>	<b>5,482</b>	<b>2,357</b>	<b>(1,620)</b>	<b>115,705</b>

The notes on pages 35 to 43 form part of these financial statements.

	Notes	Called-up share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Distri- butable revenue reserve £'000	Own shares held in treasury £'000	Total equity shareholders' funds £'000
<b>Period ended 28 July 2006</b>										
As at 12 May 2005		-	-	-	-	-	-	-	-	-
Issue of shares	14	8,972	-	-	-	-	-	-	-	8,972
Premium on issue of shares		-	80,752	-	-	-	-	-	-	80,752
Costs of share issue		-	(50)	-	-	-	-	-	-	(50)
Transfer on cancellation of share premium account		-	(80,702)	80,702	-	-	-	-	-	-
Cost of own shares bought into treasury	18	-	-	-	-	-	-	-	(337)	(337)
Repurchase and cancellation of preference shares		-	-	(50)	50	-	-	-	-	-
Unrealised appreciation on investments	8	-	-	-	-	-	8,803	-	-	8,803
Net gain on realisation of investments	8	-	-	-	-	6,173	-	-	-	6,173
Foreign exchange losses on capital items	8	-	-	-	-	-	(70)	-	-	(70)
Dividends paid in the period	6	-	-	-	-	-	-	(538)	-	(538)
Retained net return for the period		-	-	-	-	-	-	2,129	-	2,129
<b>As at 28 July 2006</b>		<b>8,972</b>	<b>-</b>	<b>80,652</b>	<b>50</b>	<b>6,173</b>	<b>8,733</b>	<b>1,591</b>	<b>(337)</b>	<b>105,834</b>

The notes on pages 35 to 43 form part of these financial statements.

**STATEMENT OF CASH FLOWS**  
for the period 29 July 2006 to 31 July 2007

		29 July 2006 to 31 July 2007	12 May 2005 to 28 July 2006
	Notes	£'000	£'000
<b>Operating activities:</b>			
Investment income received		3,138	2,216
Bank deposit interest received		16	119
Secretarial fees paid		(102)	(76)
Other cash payments		(394)	(302)
Investment management fees paid		(408)	-
<b>Net cash inflow from operating activities</b>	16	<u>2,250</u>	<u>1,957</u>
<b>Taxation</b>		(61)	-
<b>Capital expenditure and financial investment</b>			
Purchases of investments		(56,070)	(67,095)
Sales of investments		52,373	39,384
Exchange losses on settlement		(334)	(59)
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>(4,031)</u>	<u>(27,770)</u>
Equity dividends paid		(1,725)	(538)
<b>Net cash outflow before financing</b>		<u>(3,567)</u>	<u>(26,351)</u>
<b>Financing:</b>			
Proceeds of share issues		-	31,757
Costs of share issues		-	(50)
Own shares purchased and held in treasury		(1,283)	(337)
<b>Net cash (outflow)/inflow from financing</b>		<u>(1,283)</u>	<u>31,370</u>
<b>(Decrease)/increase in cash</b>	17	<u>(4,850)</u>	<u>5,019</u>

The notes on pages 35 to 43 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2007

### 1 Accounting policies

#### Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of fixed asset investments and in accordance with applicable accounting standards and the Statement of Recommended Practice regarding the Financial Statements of Investment Trust Companies ("SORP") issued in January 2003 (revised December 2005). 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 unrealised gains and losses on 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 period 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.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
at 31 July 2007

**1 Accounting policies - continued**

**Taxation**

The charge for taxation is based on the net revenue for the period. 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.

**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.

<b>2 Income</b>	<b>29 July 2006</b> to <b>31 July 2007</b> £'000	<b>12 May 2005</b> to <b>28 July 2006</b> £'000
<b>Income from listed investments:</b>		
UK dividend income	1,935	1,628
Overseas dividends	1,331	992
Deposit funds	174	-
Interest	2	-
	<hr/>	<hr/>
	<b>3,442</b>	<b>2,620</b>
<b>Other income:</b>		
Bank interest receivable	10	124
	<hr/>	<hr/>
	<b>3,452</b>	<b>2,744</b>
<b>Total income comprises:</b>		
Dividends	3,440	2,620
Interest	12	124
	<hr/>	<hr/>
	<b>3,452</b>	<b>2,744</b>

3 Investment Management fee	29 July 2006 to 31 July 2007			12 May 2005 to 28 July 2006		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment Management fee	274	273	547	-	-	-

The Investment Management fee is paid quarterly in arrears, at the rate of 0.5% per annum (excluding VAT) of the market capitalisation of the Company. At 31 July 2007 there was £139,000 (excluding VAT) outstanding (2006: £nil). In addition, the Investment Manager received an administration fee of £103,000 per annum (excluding VAT) subject to an annual RPI uplift (2006: £100,000) (see note 4 below). At 31 July 2007 there was £26,000 (excluding VAT) outstanding (2006: £25,000).

Investment Management fees were waived by Edinburgh Partners for the period from 12 May 2005 to 31 July 2006, thus no investment management fees were incurred in the period from 12 May 2005 to 28 July 2006.

4 Other expenses	29 July 2006	12 May 2005
	to	to
	31 July 2007	28 July 2006
	£'000	£'000
Administration and Secretarial fees	103	100
Auditor's remuneration for:		
Audit	23	20
Audit related fee	-	10
Directors' remuneration	120	120
Printing	22	16
Registrars' fees	14	16
Irrecoverable VAT	100	27
Other	156	93
	<u>538</u>	<u>402</u>

5 Taxation	29 July 2006	12 May 2005
	to	to
	31 July 2007	28 July 2006
	£'000	£'000
a) Analysis of charge in period		
<b>Current tax:</b>		
UK Corporation tax	189	213
Overseas tax suffered	191	165
Double taxation relief	(189)	(165)
Taxation	<u>191</u>	<u>213</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
at 31 July 2007

**5 Taxation - continued**

b) The current taxation charge for the period is lower than the standard rate of Corporation Tax in the UK (30%). The differences are explained below:

	29 July 2006 to 31 July 2007 £'000	12 May 2005 to 28 July 2006 £'000
Net revenue return before taxation	<u>2,682</u>	<u>2,342</u>
Theoretical tax at UK corporation tax rate of 30%	805	702
Effects of:		
- UK dividends that are not taxable	(581)	(489)
- Irrecoverable overseas tax	2	-
- Expenses charged to capital	(95)	-
- Taxable income capitalised	<u>60</u>	<u>-</u>
	<u>191</u>	<u>213</u>

**c) Factors that may affect future tax charges**

After allowing for accrued taxable income at the period end, the Company has eligible unrelieved foreign tax of £2,300 (2006: £nil) that is available to offset against tax chargeable on future taxable overseas revenue. No deferred tax asset has been recognised in respect of these amounts as they will only be recoverable to the extent that there is sufficient future taxable overseas revenue, not relieved by future eligible foreign tax suffered.

**6 Dividends**

	29 July 2006 to 31 July 2007 £'000	12 May 2005 to 28 July 2006 £'000
<b>Declared and paid</b>		
2006 final dividend of 1.32p per Ordinary Share	1,173	-
2007 interim dividend of 0.62p per Ordinary Share (2006 interim dividend of 0.60p per Ordinary Share)	<u>552</u>	<u>538</u>
	<u>1,725</u>	<u>538</u>
<b>Proposed</b>		
2007 final dividend of 1.58p* (2006: 1.32p) per Ordinary Share	<u>1,395</u>	<u>1,173</u>

\* Figure based on 88,280,096 shares, being the number of shares in issue as at the date of this report (excluding treasury shares).

7 Return per Ordinary Share	29 July 2006 to 31 July 2007			12 May 2005 to 28 July 2006		
	Net return £'000	Ordinary Shares*	Per share pence	Net return £'000	Ordinary Shares*	Per share pence
Revenue return	2,491	88,841,774	2.81	2,129	89,646,481	2.38
Capital return	<u>10,388</u>	<u>88,841,774</u>	<u>11.69</u>	<u>14,906</u>	<u>89,646,481</u>	<u>16.63</u>
Total	<u>12,879</u>		<u>14.50</u>	<u>17,035</u>		<u>19.01</u>

\* Weighted average number of Ordinary Shares in issue during the period.

8 Investments	31 July 2007 £'000	28 July 2006 £'000
Listed investments	<u>115,447</u>	<u>101,443</u>
	£'000	£'000
<i>Analysis of investment portfolio movements</i>		
Opening book cost	92,640	-
Opening unrealised appreciation	<u>8,803</u>	<u>-</u>
Opening valuation	101,443	-
Movements in the period:		
Purchases at cost - Transfer from Anglo & Overseas Trust PLC	-	57,967
- Cash purchases during the period	55,005	68,167
Sales - proceeds	(52,120)	(39,667)
- realised gains on sales	14,370	6,173
(Decrease)/Increase in unrealised appreciation	<u>(3,251)</u>	<u>8,803</u>
Closing valuation	<u>115,447</u>	<u>101,443</u>
Closing book cost	109,895	92,640
Closing unrealised appreciation	<u>5,552</u>	<u>8,803</u>
	<u>115,447</u>	<u>101,443</u>
	£'000	£'000
<i>Analysis of capital gains and losses</i>		
Realised gains on sales	14,370	6,173
(Decrease)/Increase in unrealised appreciation on investments	<u>(3,251)</u>	<u>8,803</u>
	11,119	14,976
Foreign exchange loss on capital items	<u>(416)</u>	<u>(70)</u>
Gains on investments	<u>10,703</u>	<u>14,906</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
at 31 July 2007

**8 Investments - continued**

**Transaction costs**

During the period the Company incurred transaction costs of £255,000 (2006: £286,000) and £116,000 (2006: £74,000) 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 no holdings of 3% or more of the share capital of portfolio companies that are material in the context of the financial statements.

<b>10 Debtors</b>	<b>31 July 2007 £'000</b>	<b>28 July 2006 £'000</b>
Dividends receivable	224	239
Prepayments and accrued income	113	30
Amounts due from brokers	-	334
Taxation recoverable	120	60
	<u>457</u>	<u>663</u>
<b>11 Creditors: amounts falling due within one year</b>	<b>£'000</b>	<b>£'000</b>
Amounts due to brokers	-	1,065
Other creditors and accruals	298	108
Taxation	-	48
	<u>298</u>	<u>1,221</u>

**12 Provision for liabilities and charges**

No provision for liabilities and charges is considered necessary at the Company's period end. There were no amounts unprovided in respect of deferred taxation.

**13 Contingent assets and liabilities**

The European Court of Justice has recently ruled that the investment management fee for Investment Trusts should be exempt from VAT. The UK Government has not yet responded to this ruling and can appeal this judgement. Until there is some certainty as to the outcome, no contingent asset has been quantified or included in the accounts.

At the period end there were no outstanding commitments in respect of investments carrying an obligation for future subscriptions.

<b>14 Share capital</b>	<b>31 July 2007 £</b>	<b>28 July 2006 £</b>
<i>Authorised:</i>		
399,500,000 Ordinary Shares of 10p each	<u>39,950,000</u>	<u>39,950,000</u>
<i>Allotted, called-up and fully paid:</i>		
89,724,381 Ordinary Shares of 10p each	<u>8,972,438</u>	<u>8,972,438</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 2007 pence	28 July 2006 pence
Ordinary Share	<u>130.99</u>	<u>118.36</u>

The net asset value per Ordinary Share is based on net assets of £115,705,000 (2006: £105,834,000) and on 88,330,096 (2006: 89,417,707) Ordinary Shares being the number of Ordinary Shares in issue at the period end, excluding shares held in treasury.

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

	29 July 2006 to 31 July 2007 £'000	12 May 2005 to 28 July 2006 £'000
Net return before finance costs and taxation	13,070	17,248
Net gains on investments	(10,703)	(14,906)
Increase in creditors	190	108
Increase in debtors and accrued income	(56)	(269)
Tax deducted from investment income	(191)	(164)
Tax recoverable	(60)	(60)
Net cash inflow from operating activities	<u>2,250</u>	<u>1,957</u>

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

	29 July 2006 to 31 July 2007 £'000	12 May 2005 to 28 July 2006 £'000
(Decrease)/increase in cash in period	(4,850)	5,019
Unrealised foreign exchange loss	-	(70)
	<u>(4,850)</u>	<u>4,949</u>
Change in net cash	(4,850)	4,949
Net cash at 28 July 2006 (12 May 2005)	<u>4,949</u>	-
Net cash at 31 July 2007 (28 July 2006)	<u>99</u>	<u>4,949</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
at 31 July 2007

**18 Own shares held in treasury**

During the period, the Company made the following treasury purchases of Ordinary Shares of 10p each:

<b>Date</b>	<b>Number of shares purchased</b>	<b>Price per share pence</b>	<b>Cost £'000</b>
Balance of Treasury shares held at 29 July 2006	306,674		337
3 August 2006	400,000	107.9344	433
31 August 2006	67,500	111.9630	78
5 September 2006	50,000	113.4500	57
19 April 2007	160,000	128.5000	207
25 June 2007	300,000	125.0000	378
24 July 2007	20,111	121.0000	24
26 July 2007	90,000	117.4664	106
	<b>1,394,285</b>		<b>1,620</b>

On 20 September 2007 a further 50,000 shares were purchased for treasury at a cost of £58,000.

**19 Analysis of financial assets and liabilities**

The investment objective of the Company is to provide shareholders with an above average returns over the longer term through both capital appreciation and income growth. It aims to achieve this by investing globally in undervalued securities.

The principal risks the Company faces through the holding of financial instruments are:

- Market price risk, i.e. the movements in value of investment holdings caused by factors other than currency movements;
- Foreign currency risk;
- Liquidity risk.

The Company has little exposure to credit and cash flow risk.

The Investment Manager monitors the financial 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.

**Market price risk**

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.

**Foreign currency risk**

The base currency of the Company is sterling and, therefore, the Company's principal exposure to foreign currency risk comprises investments in securities priced in other currencies.

## 19 Analysis of financial assets and liabilities - continued

### Liquidity risk

The Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments 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 2007. 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.

Mitigating factors to these risks can be found on pages 15 and 16 of the Directors' Report.

The interest rate profile of the Company's financial assets was:

	31 July 2007				28 July 2006		
	Financial assets		Floating rate	Fixed	Financial assets		Floating rate
	on which	financial	assets	interest	on which	financial	assets
	no interest	assets	- fair value	rate	no interest	assets	- fair value
	Total	is received			Total	is received	
	£'000	£'000	£'000	%	£'000	£'000	£'000
<b>Equity shares</b>							
Euro	24,067	24,067	-	-	20,976	20,976	-
Sterling	61,861	61,861	-	-	52,042	52,042	-
Japanese Yen	3,487	3,487	-	-	5,833	5,833	-
US Dollar	19,281	19,281	-	-	13,908	13,908	-
Swiss Franc	2,752	2,752	-	-	4,723	4,723	-
Indonesian Rupiah	-	-	-	-	1,529	1,529	-
Turkish Lira	1,181	1,181	-	-	1,118	1,118	-
Swedish Krona	-	-	-	-	1,314	1,314	-
<b>Treasury stock</b>							
Sterling	2,818	-	2,818	5	-	-	-
<b>Short-term investments</b>							
- cash on deposit							
Sterling	-	-	-	-	2,000	-	2,000
US Dollar	-	-	-	-	1,339	-	1,339
<b>Cash at bank</b>							
Euro	6	-	6	-	-	-	-
Turkish Lira	2	-	2	-	-	-	-
Sterling	91	-	91	-	310	-	310
US Dollar	-	-	-	-	1,300	-	1,300
	<b>115,546</b>	<b>112,629</b>	<b>2,917</b>		<b>106,392</b>	<b>101,443</b>	<b>4,949</b>

At 31 July 2007 the Company had no financial liabilities other than short-term creditors.

### Fair value of financial assets and liabilities

All financial assets and liabilities of the Company are held at fair value.

## 20 Related parties

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

## 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, PEPs and SIPPs**

Individual Savings Accounts, Personal Equity Plans 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 via 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. 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	July
Annual results announced	October
AGM and final dividend	November
Company's half year end	January
Interim results announced	March
Interim dividend	May

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**

NOTICE IS HEREBY GIVEN that the second ANNUAL GENERAL MEETING of the Company will be held at The Chamber of Shipping, 12 Carthusian Street, London EC1M 6EZ on Thursday, 8 November 2007, at 11.00 am for the following purposes:

	<b>Resolution on Form of Proxy</b>
<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 period ended 31 July 2007.	Resolution 1
2 To receive and approve the Directors' Remuneration Report for the period ended 31 July 2007.	Resolution 2
3 To reappoint KPMG Audit Plc as Auditor to the Company and to authorise the Directors to determine their remuneration.	Resolution 3
4 To re-elect John Pearmund as a Director of the Company.	Resolution 4
5 To re-elect Giles Weaver as a Director of the Company.	Resolution 5
6 To declare a final dividend of 1.58p per Ordinary Share for the period ended 31 July 2007.	Resolution 6
<b>Special business</b>	
7 To consider and, if thought fit, pass the following resolution as a Special Resolution:	Resolution 7
<p>THAT the Company be and is hereby generally and unconditionally authorised for the purposes of Section 166 of the Companies Act 1985 (as amended) (the "Act") to make one or more market purchases (within the meaning of Section 163(3) of the Act) of Ordinary Shares of 10p each in the capital of the Company ("Shares") provided that:</p> <p>(a) the maximum aggregate number of Shares hereby authorised to be purchased is 13,233,186 Shares or, if less, 14.99% of the issued share capital (excluding shares held in treasury) immediately following the passing of this resolution;</p> <p>(b) the minimum price which may be paid for such shares is 10 pence per Share;</p> <p>(c) the maximum price (exclusive of expenses) which may be paid for a Share shall not be more than 5 per cent above the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the relevant Shares for the five business days immediately preceding the date on which the relevant Shares are purchased;</p> <p>(d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Company's Annual General Meeting to be held in 2008, save that the Company may, prior to such expiry, enter into a contract or arrangement to purchase Shares under such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Shares pursuant to any such contract or arrangement as if the authority conferred hereby had not expired.</p>	

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

THAT in substitution for any existing power under Section 80 of the Companies Act 1985 (as amended) (the "Act") but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Act, to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal amount of £2,990,812 (being one third of the issued share capital as at 31 July 2007), such authority to expire at the conclusion of the Annual General Meeting of the Company to be held in 2008, save that the Company may make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

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

THAT in substitution for any existing power under Section 95 of the Companies Act 1985 (as amended) (the "Act") 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 95 of the Act to allot equity securities (within the meaning of Section 94(2) to Section 94(3A) of the Act) wholly for cash pursuant to any existing authority given in accordance with Section 80 of the Act as if Section 89(1) 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, or the subject of, an offer of such securities by way of rights to holders of Ordinary Shares of 10 pence each in the capital of the Company ("Shares") in proportion (as nearly as may be practicable) to their respective holdings of such Shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems arising in connection with the laws of, or the requirements of any regulatory body or stock exchange and in any territory;
- (b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £897,243 (being 10% of the issued share capital as at 31 July 2007).

and shall expire at the conclusion of the Company's next Annual General Meeting to be held in 2008, 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 offers or agreements notwithstanding that the power conferred by this resolution has expired.

This power shall apply in relation to a sale of shares held as treasury shares which is an allotment of equity securities by virtue of Section 94(3A) of the Act as if in the first paragraph of this Resolution 9 the words "pursuant to any existing authority given in accordance with Section 80 of the Act" were omitted.

By order of the Board:

**Kenneth J Greig**

Secretary

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

3 October 2007

## NOTICE OF ANNUAL GENERAL MEETING - continued

### Notes to the Notice of Annual General Meeting

A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote instead of him or her. A proxy need not also be a member of the Company. To be effective, forms of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1985 of that power or authority must be lodged with the Company's Registrar, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Lodgement of the form of proxy will not preclude a shareholder from attending the meeting and voting in person. Personalised proxy forms (or, in the case of those shareholders within the Edinburgh Partners Investment Trust Savings Scheme, forms of direction) for this purpose have been sent to shareholders together with this annual report and accounts.

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 11.00 am on 6 November 2007 or, in the event that the meeting is adjourned, on the register of members 48 hours before the time of the adjourned meeting, shall be entitled to attend or vote at the aforesaid annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 11.00 am on 6 November 2007 (or in the event that the meeting is adjourned, 48 hours before the time of the adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting notwithstanding any provisions in any enactment, the Articles of Association of the Company or any other instrument to the contrary.

Shareholders (and any proxy or representatives they appoint) agree, by attending the meeting, that they are expressly requesting and that they are willing to receive any communications (including communications relating to the Company's securities) made at the meeting.

Note: The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays, Sundays and Public Holidays) until the date of the meeting and at the place of the meeting for a period of 15 minutes prior to and during the meeting:

- a) The Articles of Association.
- b) The Directors' letters of appointment.



