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This document is being sent to the shareholders of Manchester & London Investment Trust PLC (“MLIT”) and Osprey Smaller Companies Income Fund Limited (“Osprey”). If you have sold or otherwise transferred all of your shares in MLIT and/or Osprey, please forward this document, together with the accompanying documents, at once, to the purchaser or transferee or to the bank, stockbroker, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into a Restricted Jurisdiction (as defined herein) or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction. The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with those restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Directors, whose names appear on page 17 of this document, and the Proposed Director (who has agreed to become a director of MLIT if the Offer is declared unconditional in all respects) and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors, the Proposed Director and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

A copy of this document, which comprises a document equivalent to a prospectus relating to MLIT, in accordance with the Prospectus Rules published by the FSA, has been filed with the FSA in accordance with those rules.

The whole of the text of this document should be read and your attention is drawn to the section entitled “Risk Factors” on page 7 of this document for a discussion of certain factors which should be taken into account in considering whether or not to accept the Offer and acquire MLIT Shares. The whole of this document should be read in light of those risk factors.

Issue of ordinary shares of 25p each in Manchester & London Investment Trust PLC in connection with the recommended Offer by

Manchester & London Investment Trust PLC

(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 01009550; an investment company under section 833 of the Companies Act 2006)

for the entire issued and to be issued share capital of

Osprey Smaller Companies Income Fund Limited

(an authorised closed-ended investment scheme incorporated in Guernsey with registered number 39892)

Sponsor, Financial Adviser and Broker to Manchester & London Investment Trust PLC

Fairfax I.S. PLC

Application will be made to the FSA for the New MLIT Shares to be admitted to the Official List and to trading on the London Stock Exchange’s main market for listed securities. It is expected that admission to the Official List will become effective and that dealings on the London Stock Exchange’s main market for listed securities will commence in the New MLIT Shares within 14 days of the Offer becoming or being declared unconditional in all respects.

Fairfax, which is authorised and regulated by the FSA, is acting exclusively for MLIT and for no one else in connection with the matters described herein and will not be responsible to anyone else for providing the protections afforded to customers of Fairfax or for advising any other person on the contents of this document or any matter referred to herein. Subject to FSMA, no representation or warranty, express or implied, is made by Fairfax as to any of the contents of this document.

This document does not constitute an offer to sell, or a solicitation of an offer to acquire MLIT Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, the Republic of South Africa or Japan. The MLIT Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) or under the securities legislation of a Restricted Jurisdiction or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the MLIT Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly in or into a Restricted Jurisdiction or to any national, citizen or resident of a Restricted Jurisdiction (as defined herein).

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SUMMARY

This summary should be read as an introduction to the full text of this prospectus equivalent document and any decision to accept under the Offer should be based on consideration of the full text of this prospectus equivalent document as a whole. Where a claim relating to the information contained in this prospectus equivalent document is brought before a court, a plaintiff investor may, under the national legislation of an EEA State (as defined in appendix 1 to the Prospectus Rules), have to bear the costs of translating this prospectus equivalent document before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

1. Background to and Reasons for the Offer

The Boards of MLIT and Osprey announced on 27 March 2009 the terms of a proposed merger to be effected by way of a recommended offer by MLIT for the entire issued and to be issued share capital of Osprey.¹

MLIT, which is managed by Midas, is one of the top performing investment trusts in the UK Growth sector. Osprey is an investment company in the UK Smaller Companies sector and had total assets of £10.7 million as at 31 March 2009. Before the appointment of Midas as Osprey's investment manager on 18 June 2008, Osprey had performed relatively poorly when compared against the performance of MLIT. However, since the appointment by Osprey of Midas as investment manager, the relative performance of Osprey has improved and for the nine months to 31 March 2009, Osprey has outperformed the FTSE SmallCap Index by 9 per cent.

The Directors of MLIT believe that making Osprey a subsidiary of MLIT could result in considerable administrative cost savings to MLIT. It is anticipated that such cost savings would reduce the total expense ratio of MLIT as a group on an ongoing basis which will enhance the Net Asset Value performance from potential future capital gains. In effect, the cost savings will improve MLIT's competitive position within its sector.

In view of the size of the Acquisition, the Acquisition will constitute a Class 1 transaction for the purposes of the Listing Rules. Given also that a major shareholder in MLIT, Manchester & Metropolitan, is also a major shareholder in Osprey, Manchester & Metropolitan is deemed to be a related party of MLIT (as defined in the Listing Rules). The Listing Rules require that Class 1 transactions and certain transactions with related parties are approved by shareholders in general meeting and, as such, MLIT Shareholders will be asked to approve the Acquisition.

The board of directors of Osprey are recommending that Osprey Shareholders accept the Offer.

2. Strategy for the Enlarged Group, Summary Investment Policy and proposals for Osprey

Following the Acquisition, it is intended that the Enlarged Group will pursue the Company's current investment objective and investment policy. The Company's investment objective is to achieve capital appreciation together with a reasonable level of income. The Company's investment objective is sought to be achieved through a policy of actively investing in a diversified portfolio comprising UK and overseas equities and fixed interest securities. Investment in overseas equities is utilised by the Company to increase the risk diversification of the Company's portfolio and to reduce dependence on the UK economy in addressing the growth and income elements of the Company's investment objective. There are no maximum exposure limits to any one particular classification of equity or fixed interest security. The Company will not invest more than 15 per cent. of the gross assets of the Company at the time of investment in any one security. The Company's investments are not limited to any one industry sector and its current investment portfolio is spread across a range of sectors. The Company may borrow to gear the Company's returns when the Investment Manager believes it is in Shareholders' interests to do so. The Articles permit the Company to incur borrowing up to a sum equal to two times the adjusted total of capital and reserves.

Once the Offer has become or is declared unconditional as to acceptances, and Osprey has become a subsidiary of MLIT, MLIT will seek to renegotiate the borrowings of Osprey and to terminate certain contracts for administrative and other services to which Osprey is a party. MLIT will seek to implement alternative, lower cost arrangements.

In addition, once the Offer has become or is declared unconditional as to acceptances, MLIT will seek to cancel the public quotation of Osprey Shares on the main market of the London Stock Exchange and the Channel Islands Stock Exchange so that the Enlarged Group bears the cost of having one quoted holding company rather than two. MLIT intends to secure the transfer of Osprey's investment portfolio to MLIT and then to seek shareholder

¹ The Offer relates not only to the current issued share capital of Osprey but also any securities which may be issued during the Offer Period, although it is not expected that any new securities will be issued.

approval to alter the articles of association of Osprey to allow it to become an offshore trading subsidiary of MLIT. This may also be tax efficient in the Enlarged Group context because of existing tax losses within MLIT.

If MLIT receives acceptances under the Offer in respect of, and/or otherwise acquires, 90 per cent. or more in value of the Osprey Shares to which the Offer relates, MLIT intends to exercise its rights pursuant to the provisions of Part XVIII of the Law which will entitle MLIT to compulsorily acquire the remaining Osprey Shares in issue.

3. The Offer

Under the terms of the Offer, accepting Osprey Shareholders will receive New MLIT Shares as consideration for their Osprey Shares. The number of New MLIT Shares to be issued in respect of each Osprey Share will be determined by reference to a formula based on net assets per share of MLIT and Osprey as at the close of business on the date on which the Offer is declared unconditional as to acceptances. This formula is referred to as the 'FAV' or 'Formula Asset Value'.

4. Benefits of the merger

The MLIT Board believes that the proposed Offer could lead to the following benefits:

- a larger net asset base for the Enlarged Group which may provide more liquidity in MLIT Shares under normal market circumstances;
- costs reductions across the Enlarged Group of approximately £351,000 per annum through economies of scale;
- the larger size of the Enlarged Group may increase the probability that it can gain access to loan finance on more attractive terms than MLIT or Osprey can at present; and
- the potential utilisation of Osprey as an offshore dealing subsidiary of MLIT which may allow MLIT to utilise some of its historic tax losses (which are included in the estimation of the £351,000 per annum cost reduction referred to above).

5. Information on MLIT

MLIT is an investment company with a portfolio of investments, principally quoted on the main market of the London Stock Exchange, valued at approximately £36.3 million as at 31 March 2009. The Investment Manager endeavours to construct a balanced portfolio of holdings with an emphasis on achieving absolute returns and providing a reasonable income. The Company maintains a relatively small and focused portfolio seeking capital growth by investing the majority of its assets in a portfolio of approximately 25 to 40 securities.

6. Investment Management

The Directors are responsible for the Company's investment policy but the Company delegates day-to-day investment management to Midas under the terms of the Management Agreement.

Midas is a fund management company formed in 2002 by Mark Sheppard and Brian Sheppard, the investment team who have been responsible for the investment management of the assets of MLIT from 2001 to 2009. As at 31 March 2009, Midas had approximately £263 million of assets under management. Midas has a strong investment record with MLIT, earning the following performance attributes:

- out-performed the FTSE All Share Index by 12 per cent. over the last year and 27 per cent. over the last 3 years to 31 March 2009, on a dividend reinvested basis;
- winner of Money Observer's award for Best UK Growth Trust of both 2004 and 2005;
- highly commended in the UK Growth section of Moneywise's Investment Trust Awards 2008; and
- ranked by Fundamental Data as third best performing UK Growth Trust over one year to 31 December 2008.

7. Effect of the Offer on MLIT

The terms of the Offer will lead to a decrease in the net asset value of the existing MLIT Shares on completion of the Offer. However, it is hoped that this decline will be recouped over future periods through the costs savings gained on merging with Osprey estimated at £351,000 per annum which represents 0.83 per cent. of Net Assets.

Furthermore, the increase in MLIT's size as a result of the Offer should result in increased demand for MLIT Shares from investors. Notwithstanding such increased demand, the MLIT Board expects that, following completion of the Offer, MLIT will continue to have a diversified shareholder register predominantly comprising, either directly or indirectly, individual (i.e. non-institutional) investors. The MLIT Board also expects the liquidity in the MLIT Shares to improve as a consequence of the increase in MLIT's size as a result of the Offer.

The combined assets of MLIT and Osprey will be managed in line with MLIT's investment policy and Midas' investment process. MLIT Shareholders' approval of the Acquisition is being sought at the General Meeting as the Acquisition does not fall within MLIT's investment policy. Save for the approval of the purchase of Osprey as a variation of MLIT's investment policy, no change to that policy is being proposed.

Taxation

As a result of the Acquisition, it is anticipated that the Company may lose investment trust status under section 842 of ICTA as the investment in Osprey will represent more than 15 per cent. of the Company's investments.

As a consequence, MLIT will not be able to take advantage of the exemption from capital gains in the year to 31 July 2009. The MLIT Board does not expect that this will have any adverse tax consequences as MLIT has significant unused capital losses which amounted to over £7m at 31 July 2008 and these may be offset against any chargeable gains which are realised in MLIT during periods when it does not have investment trust status.

After the Acquisition has been completed MLIT intends to conduct its affairs in subsequent accounting periods in such a way as to ensure that it regains investment trust status.

8. Principal Risk Factors in relation to the Company and the Enlarged Group

Investment objective and policy

There is no guarantee that the investment objective and policy adopted by the Company will provide the returns sought by the Company. There can be no guarantee, therefore, that the Company will achieve its investment objective.

Market for the Company's shares and volatility of share price

The market price of the MLIT Shares may be subject to wide fluctuations in response to many factors, including divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, overall market or sector sentiment, legislative changes in the Company's sector and other events and factors outside of the Company's control.

Past Performance

The past performance of portfolios managed by the Investment Manager is not, and should not be relied upon as, a guide to the future performance of the Company.

Termination of Management Agreement

The Investment Manager has the right to resign under the Management Agreement by giving not less than three months' written notice to the Company. Such resignation or termination could have an adverse effect on the Company's performance and prospects particularly if no suitable replacement is found.

Key individuals

The success of the Company in the pursuit of its investment objective is significantly dependent upon the expertise of the Investment Manager and individual fund managers and their ability to attract and retain suitable staff. The Company is particularly dependent on Mark Sheppard and Brian Sheppard who are both directors of Midas. If either Mark or Brian were to cease to be employed by Midas, there is no guarantee that Midas would be able to find suitable replacements in a timely manner which could have a material adverse effect on the performance of the Company.

Investment trust status

It is anticipated that MLIT may lose investment trust status, as a result of the Acquisition, under section 842 of ICTA as the investment in Osprey may represent more than 15 per cent. of the Company's investments. As a consequence, MLIT may not be able to take advantage of the exemption from capital gains in the financial year to 31 July 2009. The MLIT Board does not expect that this will have any adverse tax consequences as MLIT has significant unused capital losses and these would be available for offset against any chargeable gains which are

realised in MLIT during periods when it does not have investment trust status. After the Acquisition has been completed then MLIT intends to conduct its affairs in subsequent accounting periods in such a way so as to ensure that it regains investment trust status however, it cannot be guaranteed that investment trust status will be regained. In such circumstances, the Company will not be exempt from tax on any chargeable gains which it may realise.

Anticipated costs savings

It is expected that the Acquisition will result in significant cost savings for existing MLIT Shareholders and Osprey Shareholders. There can be no guarantee that these costs savings will be realised following completion of the Acquisition.

Minority interests

If at least 90 per cent. in value of the shares in Osprey are not obtained by MLIT under the Offer the existence of a minority interest may greatly restrict future corporate actions.

RISK FACTORS

In addition to all other information set out in this document, potential investors in the Company and, following the Acquisition, the Enlarged Group, should carefully consider the risk factors below before making a decision to accept the Offer or invest in the Company and, following the Acquisition, the Enlarged Group. If any of the following risks were to materialise, MLIT's and, after completion of the Acquisition, the Enlarged Group's, business, financial condition, results or future operations could be materially and adversely affected.

In such circumstances, the price of MLIT Shares could decline and investors could lose all or part of their investment. Any investment in the Company and, following the Acquisition, the Enlarged Group, is suitable only for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss (including total loss) which may result from the investment. If you are in any doubt about the action you should take, you should consult a professional adviser authorised under FSMA if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

The Directors have identified the following material risks associated with an investment in the Company. The risks are not set out in any order of priority. The Directors do not represent that the risks referred to below represent an exhaustive list. Additional risks and uncertainties currently unknown to the Company, or which the Directors currently believe are immaterial, may also have a material adverse effect on its financial condition or prospects or the trading price or underlying value of an MLIT Share. The past performance of the Investment Manager is no guarantee of its future performance.

Any persons considering whether to acquire MLIT Shares should take their own tax advice as to the consequences of their owning MLIT Shares in the Company as well as receiving returns from it. Tax commentary in this document is provided for information only and no representation or warranty, express or implied, is given to any recipient of this document as to the tax consequences of acquiring, owning or disposing of MLIT Shares and neither the Company, the Directors nor the Investment Manager or Fairfax will be responsible for any tax consequences of any investment in the Company.

Investor Profile

An investment in the Company is suitable only for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which might result from such an investment (taking into account the fact that those losses may be equal to the whole amount invested). An investment in the Company will not be suitable for investors seeking an index linked return on their investment.

An investment in the Company should constitute part of a diversified investment portfolio. Typical investors in the Company are expected to be institutional investors, private client fund managers and private client brokers, as well as private individuals who have received advice from their fund manager or broker regarding investment in the MLIT Shares, or who have sufficient experience to enable them to evaluate themselves the risks and merits of such investment. Investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before making an investment in the Company. Investment in the Company should be regarded as long-term in nature and may not be suitable as a short-term investment.

Risks relating to the Company

Investment objective and policy

There is no guarantee that the investment objective and policy adopted by the Company will provide the returns sought by the Company. There can be no guarantee, therefore, that the Company will achieve its investment objective. Meeting its objectives is a target but the existence of such objectives should not be considered as an assurance or guarantee that they can or will be met in relation to the Company's portfolio in general or in relation to any part of it.

Fees and Expenses

Whether or not the Company is profitable, it is required to meet certain fixed costs, including organisational expenses, ongoing administrative and operating expenses. The Company's accounting policy is to charge certain of its operational costs to revenue. In the event of the Company making a revenue loss, it may need, in the longer term (i.e. not less than twelve months after the date of this document), to liquidate some of its investments to pay operational costs.

Gearing

Whilst MLIT currently has no borrowings, prospective investors should be aware that the MLIT Board has authority to incur borrowings up to a limit of two times the adjusted total of capital and reserves. The use of borrowings in that event will enhance the Net Asset Value per MLIT Share where the value of the Company's underlying assets is rising. It will have the opposite effect where the underlying asset value is falling. Furthermore, should any fall in the underlying asset value result in the Company breaching the financial covenants contained in any loan facility, the Company may be required to repay such borrowings forthwith in whole or in part together with any attendant costs. This could have a materially adverse effect on both the income and capital returns to Shareholders. Loans and related costs outstanding in the event of liquidation will rank in priority to capital repayments to Shareholders.

The use of borrowings by the Company may increase the volatility of the returns to Shareholders and the Net Asset Value per Share.

Risks associated with the Company's investments

Suitable investments

There is no guarantee that the Directors and the Investment Manager will be able to identify suitable investments for investment by the Company.

Stock market conditions

Both MLIT's and Osprey's business is highly dependent on stock market conditions. Adverse market conditions may have a significant negative effect on revenues, asset values and profitability.

The Enlarged Group's performance and success are sensitive to variations in the level of activity on all major stock exchanges and, in particular, in the level of activity on the main market of the London Stock Exchange and AIM.

Future funding

Whilst the Directors have no current plans for raising additional capital after the Acquisition, it is possible in the longer term (i.e. after twelve months from the date of this document), that the Enlarged Group will need to raise extra capital in the future to take advantage of investment opportunities. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms acceptable to the Company or the MLIT Shareholders.

Dividends

While it is in the intention of the Directors to pay dividends to MLIT Shareholders half yearly, the ability of the Company to pay any dividends in respect of the MLIT Shares will depend primarily on the level of income received from its investments and the timing of receipt of such income by the Company. Accordingly the amount of any dividends paid to MLIT Shareholders may fluctuate. Any change in the tax or accounting treatment of dividends or other investment income received by the Company may also reduce the level of yield received by MLIT Shareholders.

Risks relating to MLIT Shares

Market for the Company's shares and volatility of share price

Prospective investors should be aware that the value of an investment in the Company may go down as well as up. In addition, the Company can give no assurance that an active trading market for its shares will develop, or if developed, be sustained in the future. If an active trading market is not developed or maintained, the liquidity and trading price of the Company's shares could be adversely affected. Furthermore, the trading price of the Company's shares may not reflect the underlying value of the investments held by the Company and may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, the timing of investments, changes in the regulatory environment and stock market sentiment towards investment companies.

In addition, the market price of the MLIT Shares may be subject to wide fluctuations in response to many factors, including divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, overall market or sector sentiment, legislative changes in the Company's sector and other events and factors outside of the Company's control.

Securities markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies or partnerships. Any broad market fluctuations may adversely affect the trading price of the MLIT Shares.

Realisation of investment

MLIT Shareholders will have no right to have their MLIT Shares repurchased by the Company at any time. MLIT Shareholders wishing to realise their investment in the Company will be required to dispose of their MLIT Shares on the stock market or hold their investment until the winding-up of the Company. Accordingly, the ability of MLIT Shareholders to realise the Net Asset Value of, or any value in respect of, their Shares is dependent on the existence of a liquid market in the MLIT Shares and the market price of such MLIT Shares.

The Company has applied for the New MLIT Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. Securities exchanges, including the London Stock Exchange, typically have the right to suspend or limit trading in a company's securities. Any suspension or limits on trading in the MLIT Shares may affect the ability of MLIT Shareholders to realise their investment.

Risks relating to the Investment Manager

Past Performance

The past performance of portfolios managed by the Investment Manager is not, and should not be relied upon as, a guide to the future performance of the Company.

Termination of Management Agreement

The Investment Manager has the right to resign under the Management Agreement by giving not less than 3 months' written notice to the Company. Such resignation or termination could have an adverse effect on the Company's performance and prospects particularly if no suitable replacement is found, although the notice period in the agreement seeks to protect the Company from such a risk.

Key individuals

The success of the Company in the pursuit of its investment objective is significantly dependent upon the expertise of the Investment Manager and individual fund managers and their ability to attract and retain suitable staff. The Company is particularly dependent on Mark Sheppard and Brian Sheppard who are both directors of Midas. If either Mark or Brian were to cease to be employed by Midas, there is no guarantee that Midas would be able to find suitable replacements in a timely manner which could have a material adverse effect on the performance of the Company.

Conflicts of interest

Many of the Company's key strengths derive from the breadth and depth of the experience and skills of the Investment Manager. At the same time, the Investment Manager acts and may act for other funds and investors and seek to operate in the best interests of those funds and investors. Conflicts of interest may arise as a result of the Investment Manager acting for the Company and other funds.

Regulatory and Taxation Risks

Taxation

Representations in this document concerning the taxation of MLIT Shareholders and the Company are based on the Directors' understanding of current law and practice, which is subject to change, possibly with retrospective effect. These are, in principle, subject to change and prospective investors should be aware that such changes may affect the Company's ability to generate returns for MLIT Shareholders and/or the taxation of such returns to MLIT Shareholders. If you are in any doubt as to your tax position you should consult an appropriate independent professional adviser.

Any change in the Company's tax status or in taxation legislation in the United Kingdom or any other tax jurisdiction relevant to the Company could adversely affect the value of the investments held by the Company or affect the Company's ability to achieve its investment objective or alter the post-tax returns to Shareholders.

Regulatory and legal changes

The Company's strategy has been formulated in the light of the current regulatory and legal environment and likely anticipated future changes. The regulatory and legal environment may change in the future and such changes may have a material adverse effect on the Company.

Economic, political, judicial, administrative, taxation or other regulatory factors

The Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or regulatory factors, as well as other unforeseen matters, in the UK (the jurisdiction in which the Company is registered) or in other jurisdictions in which the Company may make investments.

Risks relating to the Acquisition

Investment trust status

It is anticipated that MLIT may lose investment trust status, as a result of the Acquisition, under section 842 of ICTA as the investment in Osprey may represent more than 15 per cent. of the Company's investments. As a consequence, MLIT may not be able to take advantage of the exemption from capital gains in the financial year to 31 July 2009. The MLIT Board does not expect that this will have any adverse tax consequences as MLIT has significant unused capital losses and these would be available for offset against any chargeable gains which are realised in MLIT during periods when it does not have investment trust status. After the Acquisition has been completed then MLIT intends to conduct its affairs in subsequent accounting periods in such a way so as to ensure that it regains investment trust status however, it cannot be guaranteed that investment trust status will be regained. In such circumstances, the Company will not be exempt from tax on any chargeable gains which it may realise.

Anticipated costs savings

It is expected that the Acquisition will result in significant cost savings for existing MLIT Shareholders and Osprey Shareholders as more particularly described in Part I of this document. There can be no guarantee that these costs savings will be realised following completion of the Acquisition.

Admission to the Official List and to trading on the main market of the London Stock Exchange

Following the Offer becoming or being declared unconditional in all respects, application will be made for the New MLIT Shares to be admitted to the Official List and to trading on the main market of the London Stock Exchange. Whilst every effort will be made to ensure that this application is successful there can be no guarantee that this will be the case.

Minority interests

If at least 90 per cent. in value of the shares in Osprey are not obtained by MLIT under the Offer the existence of a minority interest may greatly restrict future corporate actions.

The Offer is, at present, conditional, *inter alia*, upon valid acceptances being received in respect of not less than 50 per cent. in nominal value of Osprey Shares to which the Offer relates. Unless valid acceptances are received for more than 90 per cent. in value of the issued share capital of Osprey to which the Offer relates, MLIT will not be able to take advantage of the provisions of 336 to 338 (inclusive) of the Law to compulsorily acquire any remaining Osprey Shares and therefore Osprey will not become a wholly-owned subsidiary of MLIT.

There are a number of corporate actions that require the approval of at least 75 per cent. of the votes cast at an Osprey Shareholders' meeting. If MLIT acquires less than 75 per cent. of the issued Osprey Shares, MLIT may need support from the remaining Osprey Shareholders to carry out these actions. In particular, MLIT would not be able to independently procure the de-listing of Osprey from the Official List and if the remaining Osprey Shareholders do not vote in favour, Osprey would continue to be subject to, amongst other things, the DTRs and the Listing Rules. Other actions requiring 75 per cent. of votes to be cast in favour at a General Meeting include amending the articles of association.

Unless MLIT acquires all of the Osprey Shares, following the Acquisition the directors of Osprey will need to have regard to the interests of those Osprey Shareholders who do not accept the Offer, as well as the interests of MLIT.

If you are in any doubt about the action you should take, you should consult a professional adviser authorised under FSMA if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

DEFINITIONS

“Acquisition”	the proposed acquisition of Osprey by the Company pursuant to the Offer;
“Admission”	admission of the New MLIT Shares to the Official List and to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with the Listing Rules and the Admission Standards respectively;
“Admission Standards”	the admission and disclosure standards for companies published from time to time by the London Stock Exchange;
“AIM”	the AIM market operated by the London Stock Exchange;
“Articles”	the articles of association of MLIT;
“business day”	a day (other than a Saturday, Sunday or public holiday) when clearing banks are open for business in the City of London;
“Calculation Date”	the close of business on the date on which the Offer becomes or is declared unconditional as to acceptances;
“certificated” or “in certificated Form”	a share which is not in uncertificated form (that is, a share not in CREST);
“CFD”	a contract for difference;
“Channel Islands Stock Exchange”	the Channel Islands Stock Exchange, LBG;
“CHF”	Swiss Francs;
“Circular”	the circular dated 5 May 2009 addressed to MLIT Shareholders and, for information only, Osprey Shareholders, summarising the background to and reasons for the Offer and convening the General Meeting to, amongst other things, approve the Offer;
“Closing Price”	the closing middle market quotation of a share on the relevant date as derived from the Daily Official List;
“Code” or “City Code”	the City Code on Takeovers and Mergers (as amended or interpreted from time to time by the Panel);
“Company”	Manchester & London Investment Trust PLC;
“Company Secretary”	the company secretary of the Company as may be appointed from time to time;
“Computershare Investor Services”	Computershare Investor Services plc;
“CREST”	the relevant system (as defined in the Regulations) in respect of which Euroclear is the operator (as defined in the Regulations);
“CREST Manual”	the manual issued by Euroclear from time to time;
“CREST member”	a person who is, in relation to CREST, a system member (as defined in the Regulations);
“CREST participant”	a person who is, in relation to CREST, a system participant (as defined in the Regulations);
“CREST sponsor”	a person who is, in relation to CREST, a sponsoring system participant (as defined in the Regulations);
“CREST sponsored member”	a CREST member admitted to CREST as a sponsor member under the sponsorship of a CREST sponsor;

“Daily Official List”	the daily official list of the London Stock Exchange;
“Directors” or “MLIT Board”	the directors of the Company whose names appear on page 17 of this document;
“DTRs”	the Disclosure and Transparency Rules as published from the FSA from time to time;
“Elysium”	Elysium Fund Management Limited;
“Enlarged Group”	MLIT and its subsidiary undertakings on completion of the Acquisition;
“Enlarged Share Capital”	the entire issued share capital of the Company following the issue of the New MLIT Shares;
“ESA Instruction”	an Escrow Account Adjustment Input (AESN), transaction type “ESA” (as described in the CREST Manual issued by Euroclear);
“Escrow Agent”	Computershare Investor Services in its capacity as escrow agent (as described in the CREST Manual);
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST;
“Existing MLIT Shares”	the MLIT Shares in issue at the date of this document;
“Fairfax”	Fairfax I.S. PLC;
“FAV per MLIT Share”	the formula asset value, calculated in accordance with the formula set out in Part V of this document, attributable to each MLIT Share in issue as at the close of business on the Calculation Date;
“FAV per Osprey Share”	the formula asset value, calculated in accordance with the formula set out in Part V of this document, attributable to each Osprey Share in issue as at the close of business on the Calculation Date;
“Form of Acceptance”	the form of acceptance, authority and election for use by Osprey Shareholders in connection with the Offer;
“Form of Proxy”	the form of proxy for use at the General Meeting;
“Formula Asset Values”	the FAV per Osprey Share and the FAV per MLIT Share;
“FSA”	the Financial Services Authority;
“FSA Rules”	the Conduct of Business Rules of the FSA;
“FSMA”	the Financial Services and Markets Act 2000;
“General Meeting”	the general meeting of MLIT (or any adjournment thereof) convened for 9.30 a.m. on 28 May 2009 at The Midland Hotel, Peter Street, Manchester M60 2DS to vote on the Resolution pursuant to the notice of general meeting contained in the Circular;
“Group”	MLIT and its subsidiaries;
“ICTA”	Income and Capital Taxes Act 1988;
“IFRS”	International Financial Reporting Standards, the guidance and rules set by the International Accounting Standards Board from time to time;
“Investment Manager” or “Midas”	Midas Investment Management Limited;
“Law”	the Companies (Guernsey) Law, 2008 (as amended);
“Listing Rules”	the Listing Rules of the UK Listing Authority made pursuant to section 74 of the Financial Services and Markets Act 2000;

“London Stock Exchange”	London Stock Exchange plc;
“Management Agreement”	the investment management agreement dated 23 November 2005 between MLIT and Midas;
“Manchester & Metropolitan” or “Majority Shareholder”	Manchester & Metropolitan Investment Limited;
“member account ID”	the identification code or number attached to any member account in CREST;
“MLIT”	Manchester & London Investment Trust PLC;
“MLIT Shareholders” or “Shareholders”	holders of MLIT Shares;
“MLIT Shares”	ordinary shares of 25p each in the capital of MLIT;
“NAV” or “Net Asset Value”	the net asset value of a company determined in accordance with the relevant company’s normal accounting policies;
“New MLIT Shares”	the MLIT Shares to be allotted and issued pursuant to the Offer;
“Offer”	the offer being made by MLIT to acquire the entire issued and to be issued share capital of Osprey on the terms and subject to the conditions set out in the Offer Document and the Form of Acceptance (including, where the context so requires, any subsequent waiver, revision, variation, extension or renewal of such offer) and any election available in connection with it;
“Offer Document”	the offer document dated on or around the date of this document in connection with the Offer;
“Offer Illustration”	the illustrative calculations based on the assumptions set out therein as set out at paragraph 4 of Part I of this document;
“Offer Period”	the period commencing on 5 May 2009 until whichever of the following shall be the latest: (i) 1.00 p.m. on 26 May 2009, (ii) the date on which the Offer becomes or is declared unconditional in all respects and (iii) the date on which the Offer lapses;
“Official List”	the Official List of the UK Listing Authority;
“Osprey”	Osprey Smaller Companies Income Fund Limited;
“Osprey Board” or “Osprey Directors”	the board of directors of Osprey whose names are set out in paragraph 6 of Part I of this document;
“Osprey Shareholders”	registered holders of Osprey Shares;
“Osprey Shares”	the existing unconditionally allotted or issued and fully paid (or credited as fully paid) ordinary shares of 10p each in the capital of Osprey and any further shares which are unconditionally allotted or issued fully paid or credited as fully paid after the date of this document and before the date on which the Offer ceases to be open for acceptance (or such earlier date as MLIT may, subject to the Code, decide) but excluding any such shares held or which become held in treasury;
“Panel”	the Panel on Takeovers and Mergers;
“participant ID”	the identification code or membership number used in CREST to identify a CREST member or other CREST participant;
“Proposed Director”	David Harris, who has agreed to become a director of MLIT as and when the Offer is declared unconditional in all respects;
“Prospectus Rules”	the Prospectus Rules as published from the FSA from time to time;

“Receiving Agent”	Computershare Investor Services PLC;
“Registrars”	Computershare Investor Services PLC;
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755);
“Regulatory Information Service”	any information service authorised from time to time by the UK Listing Authority for the purpose of dissemination of regulatory announcements by the Listing Rules of the UK Listing Authority;
“Resolution”	the first resolution to be proposed at the General Meeting (and set out in the notice of General Meeting contained in the Circular) to approve the Acquisition and the increase in MLIT’s issued share capital and to authorise the Directors to allot the New MLIT Shares;
“Restricted Jurisdiction”	the United States, Canada, Australia, the Republic of South Africa or Japan;
“TFE Instruction”	a Transfer from Escrow instruction (as described in the CREST Manual);
“TTE Instruction”	a Transfer to Escrow instruction (as described in the CREST Manual);
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000;
“uncertificated” or “in uncertificated form”	a share or shares recorded on the register of members as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST;
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to the jurisdiction of the United States of America;
“USD”	United States Dollar;
“US Person”	a US person as defined in Regulation S under the US Securities Act;
“US Securities Act”	the US Securities Act of 1933 (as amended) and the rules and regulations promulgated under that act;
“Wholly Unconditional Date”	the date on which the Offer becomes or is declared unconditional in all respects.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2009
Publication of Offer Document, this document and the Circular	5 May
Latest time and date for receipt of the Form of Proxy	9.30am 26 May
First closing date of the Offer	1.00pm 26 May
General Meeting	9.30am 28 May
Admission of New MLIT Shares to Official List and to trading on the main market of the London Stock Exchange and dealings to commence*	by 29 May
CREST accounts credited with New MLIT Shares*	by 11 June
Certificates for New MLIT Shares dispatched*	by 11 June

**The indicative timetable in respect of these events assumes that the Offer becomes or is declared unconditional as to acceptances on 26 May 2009, and becomes or is declared unconditional in all respects (save only for the condition relating to Admission) on 28 May 2009.*

The times and dates set out in the timetable above and mentioned throughout this document in relation to the Offer may be adjusted or extended by agreement between the Company and Fairfax as permitted by the City Code in which event details of the new times and dates will be publicly announced.

STATISTICS

Number of Existing MLIT Shares	13,946,338
Number of New MLIT Shares to be issued pursuant to the Offer*	3,677,509
Expected NAV per MLIT Share following the Offer*	301.9p
Ordinary Share ISIN number	GB0002258472

** Assuming full acceptance of, and no variation to, the Offer and is based on the Offer Illustration and assuming no further Osprey Shares are issued. The actual number of New MLIT Shares to be issued pursuant to the Offer will not be determined until the Offer is declared unconditional in all respects.*

Forward-looking statements

This document includes statements that are, or may be deemed to be “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “anticipates”, “targets”, “expects”, “predicts”, “aims”, “continues”, “intends”, “may”, “will”, “would” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding MLIT’s, Osprey’s and the Enlarged Group’s intentions, beliefs or current expectations concerning, among other things, MLIT’s, Osprey’s and the Enlarged Group’s results of operations, prospects, growth, strategies and the industries in which MLIT, Osprey and the Enlarged Group operate. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances.

A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation: conditions in the markets, the market position of MLIT, Osprey and the Enlarged Group, earnings, cash flows, return on capital and operating margins, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this document. Forward-looking statements contained in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Except as required by the Prospectus Rules, the Listing Rules, the DTRs, applicable law or the Listing Rules neither MLIT nor Fairfax undertakes any obligation to update or review any forward-looking statements, whether as a result of new information, future events or otherwise. Osprey Shareholders who are considering whether to accept the Offer and MLIT Shareholders and potential investors in the Company should not place undue reliance on forward-looking statements, which speak only as of the date of this document. None of the statements made in this section “Forward-looking statements” in any way obviates the requirements to comply with the Prospectus Rules, the DTRs, the Listing Rules or the FSMA.

DIRECTORS, SECRETARY AND ADVISERS TO THE COMPANY

Directors: Peter Henry Arthur Stanley FCA (Non-executive Chairman)
Brian Stephen Sheppard (Non-executive)
Martin John Wilbraham (Non-executive)

all of:
2nd Floor, Arthur House,
Chorlton Street
Manchester
M1 3FH

Company Secretary: Kevin Kaye, ACA

Registered Office: 2nd Floor, Arthur House
Chorlton Street
Manchester
M1 3FH
Tel: 0161 228 1709

Investment Manager: Midas Investment Management Ltd
2nd Floor, Arthur House
Chorlton Street
Manchester
M1 3FH

Sponsor & Broker: Fairfax I.S. PLC
46 Berkeley Square
Mayfair
London
W1J 5AT

Solicitors to the Company: Stephenson Harwood
One St. Paul's Churchyard
London
EC4M 8SH

**Reporting Accountants
and Auditors:** CLB Coopers
Century House
11 St Peter's Square
Manchester
M2 3DN

Tax Advisers: BDO Stoy Hayward LLP
Commercial Buildings
11-15 Cross Street
Manchester
M2 1WE

Registrars: Computershare Investor Services PLC
The Pavillions
Bridgwater Road
Bristol
BS13 8AE

Receiving Agent: Computershare Investor Services PLC
Corporate Action Projects
Bristol
BS99 6AH

PART I – INFORMATION ON THE OFFER AND THE ENLARGED GROUP

1. Introduction

The Boards of MLIT and Osprey announced on 27 March 2009 the terms of a proposed merger to be effected by way of a recommended offer by MLIT for the entire issued and to be issued share capital of Osprey, the details of which are set out in paragraph 4 of this Part I.²

In view of the size of the Acquisition, the Acquisition will constitute a Class 1 transaction for the purposes of the Listing Rules. Given also that a major shareholder in MLIT, Manchester & Metropolitan, is also a major shareholder in Osprey, Manchester & Metropolitan is deemed to be a related party of MLIT (as defined in the Listing Rules). The Listing Rules require that Class 1 transactions and certain transactions with related parties are approved by shareholders in general meeting and, as such, MLIT Shareholders will be asked to approve the Acquisition. Notice of the General Meeting is contained in the Circular which has been sent to MLIT Shareholders with this document. At the General Meeting, another resolution will be proposed as more particularly explained at paragraph 19 of this Part I.

2. Background to and Reasons for the Offer

MLIT, which is managed by Midas, is one of the top performing investment trusts in the UK Growth sector. Osprey is an investment company in the UK Smaller Companies sector and had total assets of £10.7 million as at 31 March 2009. Before the appointment of Midas as Osprey's investment manager on 18 June 2008, Osprey had performed relatively poorly when compared against the performance of MLIT and, in relation to the one year performance of Osprey, in line with the FTSE SmallCap Index:

<i>NAV per share performance to 30 June 2008</i>	<i>Osprey NAV per share</i>	<i>MLIT NAV per share</i>	<i>FTSE Small Cap Index</i>
1Yr	-23%	-6%	-29%
3Yr	17%	25%	-2%
5Yr	67%	84%	36%

However, since the appointment by Osprey of Midas as investment manager, the relative performance of Osprey has improved and for the nine months to 31 March 2009, Osprey has outperformed the FTSE SmallCap Index by 9 per cent.

<i>NAV per share performance since 19 June 2008 to 31 March 2009</i>	<i>Osprey NAV per share</i>	<i>MLIT NAV per share</i>	<i>FTSE Small Cap Index</i>
	-33%	-18%	-42%

The Directors of MLIT believe that making Osprey a subsidiary of MLIT could result in considerable administrative cost savings to MLIT. It is anticipated that such cost savings would reduce the total expense ratio of MLIT as a group on an ongoing basis which will enhance the Net Asset Value performance from potential future capital gains. In effect, the cost savings will improve MLIT's competitive position within its sector. Further details of potential cost savings to MLIT and the benefits of the merger are set out in paragraph 5 below.

Midas, in conjunction with the boards of MLIT and Osprey together with their advisers, has developed the proposals for a merger of the two funds. Osprey shareholders would benefit from an uplift in the market value of their investment on acceptance of the Offer because Osprey shares traded as at the 27 March 2009 (and have done so for the preceding twelve months) at a greater discount to their Net Asset Value per share than MLIT Shares.

The board of directors of Osprey are recommending that Osprey Shareholders accept the Offer.

3. Strategy for the Enlarged Group and proposals for Osprey

Following the Acquisition, it is intended that the Enlarged Group will pursue the Company's current investment objective and strategy, details of which are set out in paragraph 7 of this Part I.

Once the Offer has become or is declared unconditional as to acceptances, and Osprey has become a subsidiary of MLIT, MLIT will seek to renegotiate the borrowings of Osprey and to terminate certain contracts for administrative and other services to which Osprey is a party. MLIT will seek to implement alternative, lower cost

² The Offer relates not only to the current issued share capital of Osprey but also any securities which may be issued during the Offer Period, although it is not expected that any new securities will be issued.

arrangements to achieve some of the cost savings referred to in paragraph 2 above. The estimated termination costs of Osprey contracts are provided for in the FAV formula which means that, as a result, the economic burden of such termination costs will be borne by Osprey Shareholders rather than existing MLIT Shareholders.

In addition, once the Offer has become or is declared unconditional as to acceptances, MLIT will seek to cancel the public quotation of Osprey Shares on the main market of the London Stock Exchange and the Channel Islands Stock Exchange so that the Enlarged Group bears the cost of having one quoted holding company rather than two. MLIT intends to secure the transfer of Osprey's investment portfolio to MLIT and then to seek shareholder approval to alter the articles of association of Osprey to allow it to become an offshore trading subsidiary of MLIT and to cancel its current investment policy. This may also be tax efficient in the Enlarged Group context because of existing tax losses within MLIT. Should MLIT procure insufficient votes to pass resolutions to permit the transfer of Osprey's portfolio to MLIT, it will pass an ordinary resolution to change the investment policy of Osprey to the same investment policy of MLIT, details of which are set out in paragraph 7 of this Part I.

If MLIT receives acceptances under the Offer in respect of, and/or otherwise acquires, 90 per cent. or more in value of the Osprey Shares to which the Offer relates, MLIT intends to exercise its rights pursuant to the provisions of sections 336 to 338 (inclusive) of the Law which will entitle MLIT to compulsorily acquire the remaining Osprey Shares in issue.

It is then intended that the Osprey investments would be transferred up to MLIT and that Osprey would act as a dealing subsidiary going forward, engaged in buying and selling financial instruments to hedge the short term risk of other positions, rebalance the portfolio's sector weightings or to take advantage of perceived takeover arbitrage situations. Osprey would then classify as a 'dealing subsidiary' as opposed to an investment company.

4. The Offer

MLIT is offering to acquire, on the terms and subject to the conditions set out in the Offer Document and reproduced in Part VII of this document, all of the issued and to be issued Osprey Shares on the following terms:

The "FAV" of each share is its formula asset value calculated in accordance with the formula set out in Part V of this document. In essence, the Formula Asset Value is calculated by reference to the value of the assets of the relevant company and the liabilities attributed to that company in terms of the formula. The calculation will be undertaken as at the close of business on the date the Offer becomes or is declared unconditional as to acceptances (the "Calculation Date"). The use of formulae to calculate the consideration payable in relation to an offer for an investment trust's shares is common practice.

Full details of the Offer are set out in the Offer Document and reproduced in Part VII of this document.

The number of New MLIT Shares to which accepting Osprey Shareholders will become entitled under the Offer cannot be determined until the Offer becomes or is declared unconditional as to acceptances at which point the Formula Asset Values will be calculated. Fractions of New MLIT Shares arising after calculation of each Osprey Shareholder's entitlement will not be allotted to Osprey Shareholders but will be aggregated and sold in the market for the benefit of MLIT.

For illustrative purposes only, had the Calculation Date been 27 April 2009 (being the latest practicable date prior to the publication of this document):

- the FAV per MLIT Share would have been 301.9p and MLIT estimates that the FAV per Osprey Share would have been 105.2p (such Formula Asset Values having been calculated by reference to the respective net asset values per MLIT Share and per Osprey Share as at 27 April 2009);
- an accepting Osprey Shareholder would have been entitled to 348 New MLIT Shares for every 1,000 Osprey Shares held; and
- the Offer would have valued the entire issued share capital of Osprey at approximately £10.4 million and each Osprey Share at approximately 98.6p, representing a premium of 18.7 per cent. to the Closing Price of 83p per Osprey Share on 26 March 2009 (being the last business day prior to the announcement of the possible offer)

(the "Offer Illustration").

The assumptions on which the Offer Illustration is based are:

- full acceptance of the Offer;
- that the other conditions of the Offer are satisfied; and
- that the FAV is calculated as described in Part V of this document, but for illustrative purposes, treating references to the Calculation Date as references to 27 April 2009.

On the basis of the Offer Illustration, acceptance of the Offer would have resulted in the issue of 3,677,509 New MLIT Shares, representing approximately 21 per cent. of the enlarged issued share capital of MLIT following completion of the Offer.

The Osprey Shares will be acquired by MLIT, pursuant to the Offer, fully paid and free from all liens, equities, charges, encumbrances, rights of pre-emption and any other interest of any nature whatsoever and together with all rights now or hereafter attaching thereto, including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid on or after 5 May 2009 (being the date on which the Offer was announced).

The New MLIT Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the existing issued MLIT Shares, including the right to receive and retain in full all dividends and other distributions declared, made or paid on or after 5 May 2009 (being the date on which the Offer was announced) in respect of the MLIT Shares.

The number of MLIT Shares to be issued and allotted per Osprey Share pursuant to the Offer will be announced through a Regulatory Information Service as soon as reasonably practicable following the Calculation Date.

5. Benefits of the merger

The MLIT Board believes that the proposed Offer could lead to the following benefits:

- a larger net asset base for the Enlarged Group which may provide more liquidity in MLIT Shares under normal market circumstances;
- costs reductions across the Enlarged Group of approximately £351,000 per annum through economies of scale;
- the larger size of the Enlarged Group may increase the probability that it can gain access to loan finance on more attractive terms than MLIT or Osprey can at present; and
- the potential utilisation of Osprey as an offshore dealing subsidiary of MLIT which may allow MLIT to utilise some of its historic tax losses (which are included in the estimation of the £351,000 per annum cost reductions referred to above).

Osprey's expenses amounted to £585,000 (excluding interest payable and similar charges) for the year ended 31 August 2008. These costs decreased by 7.7 per cent. to an annualised rate of £540,000 for the six months to 28 February 2009 (excluding one off costs of £204,000). Midas has been integral to a cost reduction program and comparable expenses are currently running at an estimated annual rate of approximately £360,000, a reduction of 33.3 per cent. over the annualised rate for the half year to 28 February 2009.

The MLIT Directors anticipate that the merger of Osprey with MLIT will lead to further annual cost savings of £351,000. This excludes some potential further savings in the costs of dealing in investments and on the potential amalgamation of Osprey's and MLIT's portfolios.

These anticipated savings include a £113,000 reduction in administration fees, estimated annual tax savings of £127,000 arising from Osprey acting as an offshore dealing subsidiary; a net saving of £40,000 arising from the resignation of two directors, one of whom is expected to be appointed to the board of MLIT where he will be entitled to remuneration of £12,000 per annum, replacing a retiring MLIT director in due course. The costs of maintaining Osprey's listed status (listing and broker's fees) which were £43,000 for the year ended 31 August 2008 and currently amount to approximately £48,000 per annum are intended to be saved as a result of the Enlarged Group having a single quoted holding company.

Termination costs of £195,000 will be incurred to cancel various contracts for administrative and other services in order to achieve these savings.

The tax saving referred to above is based on the amount of tax which would have been saved if the dealing activities which had been conducted in the year ended 31 July 2008 by MLIT's two on-shore dealing subsidiaries had been conducted through Osprey. The dividends payable from Osprey to MLIT may be off-set against MLIT's brought forward unrelieved management expenses which could generate an aggregate saving over several years of approximately £654,000. If the Offer lapses MLIT could establish its own offshore dealing subsidiary to achieve similar tax savings.

In aggregate the annual savings expected to arise as a result of the merger amount to £351,000. After taking account of the non recurring termination costs of £195,000 which will be incurred, the net income available for distribution by way of dividends could be increased.

A substantial proportion of the above savings can be achieved following MLIT becoming Osprey's holding company, but the full benefit will only be achieved as and when MLIT obtains sufficient Osprey Shares to be able to secure the termination of Osprey's listing on the London Stock Exchange and the Channel Islands Stock Exchange which may require the passing of a special resolution at a general meeting of Osprey at which MLIT will vote in respect of its majority shareholding.

6. Information on Osprey

Osprey is an authorised closed-ended investment scheme which was incorporated in Guernsey under the Law with registered number 39892 and is authorised and regulated by the Guernsey Financial Services Commission. Osprey has a capital structure comprising a single class of Osprey Shares, which are listed on the Official List and on the Channel Islands Stock Exchange. Osprey is not authorised or regulated by the FSA.

The principal investment objective of Osprey is to provide shareholders with the opportunity for income and capital growth by investing primarily in mid and smaller capitalisation UK companies (being companies capitalised at less than £1 billion) and traded on the London Stock Exchange or AIM.

Financial information relating to Osprey is contained in Part III of this document.

Directors

The directors of Osprey, all of whom are non-executive, are:

Rhys Davies (aged 40; Swiss resident) Mr Davies is a Chartered Financial Analyst and has nearly fifteen years of continuous investment management experience since joining Schroder Investment Management Limited in 1994. Since 1998, Mr Davies has served as a managing director of Glendower Capital Limited and Glendower Partners Limited. He is also a non-executive Director of The Local Radio Company PLC, an AIM-listed company, and several private companies. Mr Davies holds degrees from the University of Wales and Imperial College of Science, Technology and Medicine.

David Harris (aged 59; UK resident) Mr Harris is chief executive of InvaTrust consultancy, a specialist investment and marketing consultancy group. In 1995, he joined the Associate of Investment Companies as director with specific responsibility for training, education and marketing issues. He is currently a non-executive director of Character Group plc, Aseana Properties Limited, COBRA Holdings plc and Small Companies Dividend Trust plc. He appears regularly on both television and radio, writes for the press and is a previous winner of the award "Best Investment Adviser in the United Kingdom".

Richard Prosser (aged 47; Jersey resident) Mr Prosser is a chartered accountant and was previously a partner of Reads & Co chartered accountants from 1992 to 1996 and a director of EFG Reads Trust Company Limited and EFG Reads Investment Management Services Limited from 1992 to 2000. He is currently a director of Appleby Trust (Jersey) Limited and is a partner of the Appleby Group.

7. Information on MLIT

MLIT is an investment company with a portfolio of investments, principally quoted on the main market of the London Stock Exchange, valued at approximately £36.3 million as at 31 March 2009. The Investment Manager endeavours to construct a balanced portfolio of holdings with an emphasis on achieving absolute returns and providing a reasonable income. The Company maintains a relatively small and focused portfolio seeking capital growth by investing the majority of its assets in a portfolio of approximately 25 to 40 securities.

Investment objective

The investment objective of the Company is to achieve capital appreciation together with a reasonable level of income.

Investment policy

Asset allocation and risk diversification

The Company's investment objective is sought to be achieved through a policy of actively investing in a diversified portfolio comprising UK and overseas equities and fixed interest securities. The Company seeks to invest in companies whose shares are admitted to trading on a regulated market (as illustrated by the Company's portfolio set out in Part IV of this document). However, it may invest in a small number of equities and fixed interest securities of companies whose capital is not admitted to trading on a regulated market. Investment in overseas equities is utilised by the Company to increase the risk diversification of the Company's portfolio and to reduce dependence on the UK economy in addressing the growth and income elements of the Company's investment objective. There are no maximum exposure limits to any one particular classification of equity or fixed interest security. The Company's investments are not limited to any one industry sector and its current investment portfolio is spread across a range of sectors as set out in Part IV of this document. The Company has no specific criteria regarding market capitalisation or credit ratings in respect of investee companies.

The Company intends to maintain a relatively focused portfolio, seeking capital growth by investing in approximately 25 to 40 securities. With the exception of the Acquisition, for which Shareholder authority will be sought at the General Meeting, the Company will not invest more than 15 per cent. of the gross assets of the Company at the time of investment in any one security.

Exposure to investments may also be achieved through the use of specialist collective investment schemes and products such as other investment trusts or exchange traded funds where specialised management skills are necessary or where it would be uneconomic for the Company to invest directly. However, the Company currently has no intentions to invest more than 10 per cent., in aggregate, of the value of its gross assets at the time the investment in other listed investment trusts or listed investment companies, provided that this restriction does not apply to investment in investment trusts or investment companies which themselves have stated investment policies to invest no more than 15 per cent. of their gross assets in other listed investment trusts or listed investment companies.

The Company's intends to be fully invested where possible. However, during periods in which changes in economic conditions or other factors so warrant, the Investment Manager may reduce the Company's exposure to one or more asset classes and increase the Company's position in cash and/or money market instruments.

The Company may invest in derivatives, money market instruments and currency instruments including contracts for differences, futures, forwards and options. These investments may be used for hedging positions against movements in, for example, equity markets, currencies and interest rates. In addition, these instruments will only be used for efficient portfolio management purposes. For the avoidance of doubt the use of such instruments to engage in trading transactions is strictly against the Company's investment policy. Any trading transactions will be carried out through dealing subsidiaries of the Company. The Company would not maintain derivative positions should the total underlying exposure of these positions exceed one times adjusted total capital and reserves.

Gearing

The Company may borrow to gear the Company's returns when the Investment Manager believes it is in Shareholders' interests to do so. The Company's investment policy and the Articles permit the Company to incur borrowing up to a sum equal to two times the adjusted total of capital and reserves. Any change to the Company's borrowing policy will only be made with the approval of Shareholders by special resolution.

In addition to the above, the Company will observe the investment restrictions imposed from time to time by the Listing Rules which are applicable to investment companies with shares listed on the Official List of the UKLA under Chapter 15.

In accordance with the Listing Rules, the Company will manage and invest its assets in accordance with the Company's investment policy as set out this Part I. Any material changes in the principal investment policies and restrictions (as set out above) of the Company will only be made with the approval of Shareholders by ordinary resolution.

In the event of any breach of the investment restrictions applicable to the Company, Shareholders will be informed of the remedial actions to be taken by the Board and the Investment Manager by an announcement issued through a Regulatory Information Service approved by the FSA.

Investment process

The MLIT Board is responsible for the determination of the Company's investment policy and overseeing its implementation. The Board believes that patience is a key element of the Company's successful investment strategy; individual equity investments are typically held for not less than two years and often for longer periods.

The portfolio selection process will continue to be based on assessing the merits and prospects of the individual companies and, in particular, seeking:

- *Market dominance* – whether on a local, national or international scale of the particular market in which a company operates;
- *Profit margins* – these should be capable of improvement, either through the efforts of key management or by increasing domination of the sector in which the company operates through strategic acquisitions;
- *Meaningful incentives for management* – directors' shareholdings and options, balanced with reasonable (but not excessive) salary levels are an important element in gauging incentives, especially when new management is appointed to a company which is performing below market expectation;
- *Track record* – a company need not necessarily have a consistent or satisfactory record at the time the shares are purchased but it is vital that the conditions are in place to allow a turnaround or recovery in that company's fortunes;
- *Know the management* – this is particularly important in relation to smaller companies or companies within the FTSE 350 Index. It is the MLIT Board's policy to assess the management ability and enthusiasm for the company's fortunes;
- *Growth stocks* – the MLIT Board will consider a company's presence in new areas where there appears to be scope for above average growth and the achievement of a dominant market position;
- *Cash flow* – the ability of a company to generate cash balances is important, particularly in areas where there is potential for "bolt-on" acquisitions;
- *Portfolio liquidity* – the MLIT Board is reluctant for the Company's funds to be concentrated too heavily in companies where there is not, nor is there likely to be, a reasonably liquid market in the shares; and
- *General scope of investment* – the MLIT Board adopts a policy permitting investment in any sector of the financial markets both in the UK and overseas. This gives greater freedom of choice in the search for investments which may achieve above average capital growth and means the portfolio could become substantially liquid if the MLIT Board takes an unfavourable view of the outlook for the markets.

Portfolio construction is undertaken by using a predominantly "top down" approach. The Investment Manager assesses the risk/return characteristics of the main asset classes represented within the portfolio on an ongoing basis, taking into account current valuations, expected returns and the major long term themes driving investment markets. Each investment, regardless of asset class, is expected to make a clear contribution to the achievement of one or more of the portfolio's aims, whether capital return or income.

The Investment Manager is reactive to cycles. During the period of stock market declines from 2000 to 2003, MLIT's net cash to net assets reached a level of 62 per cent. Equally during 2008, MLIT's net cash to net assets reached a ratio of 44 per cent.

As at 27 April 2009 (being the latest practicable date prior to the publication of this document), the Company had no gearing.

8. Directors

The MLIT Board has overall responsibility for the Company's activities, notwithstanding the delegation of the management of the Company's investment portfolio to Midas. At the date of this document, the MLIT Board comprises of three Directors, two of whom are independent of the Investment Manager:

Peter Henry Arthur Stanley (Chairman), aged 75. Mr Stanley joined the MLIT Board in November 1997 and was appointed Chairman in November 2000. He was Chairman of BWD Securities PLC between 1995 and 2000 and has extensive experience in London Stock Exchange related matters. Previously Mr Stanley's roles included Chairman of Firms Accounts Committee of the London Stock Exchange and the Chairman of Capital Committee. Mr Stanley was last re-elected to the MLIT Board at the Company's annual general meeting held on 18 November 2008.

Brian Stephen Sheppard, aged 74. Mr Sheppard is a founder Director of MLIT and was Chairman until November 1997. He is a Director of Midas Investment Management Limited who act as the Company's investment manager. Mr Sheppard was last re-elected to the MLIT Board at the Company's annual general meeting held on 18 November 2008.

Martin John Wilbraham, aged 77. Mr Wilbraham is a founder Director of MLIT. He was previously a member of the Securities Institute and has experience as a MLIT Board member of a number of public and private companies. Mr Wilbraham was last re-elected to the MLIT Board at the Company's annual general meeting held on 18 November 2008.

Following the Acquisition, it is intended that David Harris be appointed to the MLIT Board and that Richard Prosser continue to act as a director of Osprey, both of whom are independent.

9. Investment Management and Administration

The Directors are responsible for Company's investment policy but the Company delegates day-to-day investment management to Midas under the terms of the Management Agreement.

Midas is a fund management company formed in 2002 by Mark Sheppard and Brian Sheppard, the investment team who have been responsible for the investment management of the assets of MLIT from 2001 to 2009. As at 31 March 2009, Midas had approximately £263 million of assets under management. Midas has a strong investment record with MLIT, earning the following performance attributes:

- out-performed the FTSE All Share Index by 12 per cent. over the last year and 27 per cent. over the last 3 years to 31 March 2009, on a dividend reinvested basis;
- winner of Money Observer's award for Best UK Growth Trust of both 2004 and 2005;
- highly commended in the UK Growth section of Moneywise's Investment Trust Awards 2008; and
- ranked by Fundamental Data as third best performing UK Growth Trust over one year to 31 December 2008.

Further information on the Investment Manager is set out in paragraph 12.1 of Part VIII of this document.

10. Selected Financial Information

The key audited figures that summarise the financial condition of MLIT and Osprey in respect of the most recent three years for which audited accounts have been published which have been extracted directly on a straightforward basis from the audited accounts for the relevant accounting periods. The accounting policies of Osprey are fundamentally the same as those of MLIT although the apportionment of expenses between capital and income differs in some respects.

MLIT

	<i>Year ended 31 July</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
Total return £'000	3,206	5,799	(3,490)
Return per Ordinary Share	31.14	41.58	(25.02)
Net dividend per Ordinary Share	9.5	10	10
	<i>As at 31 July</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investments	30,444	49,514	31,246
Cash and short term deposits	6,326	3,669	15,836
Other net liabilities	(663)	(629)	587
Net assets	36,107	52,554	47,669
Net asset value per MLIT Share			
Basic	481.4	376.8	341.8
Fully diluted	351.2	376.8	341.8

Source: MLIT Annual Report & Accounts

The past three years have seen a decline in MLIT's Net Asset Value per Share, a performance which has not been assisted by the weakness of both the UK and overseas stock markets during the period. However, MLIT has outperformed its benchmark, the FTSE All Share Index, over this period by 17.4 per cent.

Osprey

	Year ended 31 August		
	2006	2007	2008
Total return £'000	4,143	4,261	(6,274)
Return per Ordinary Share	29.51	30.89	(46.34)
Net dividend per Ordinary Share	6.00	12.75	6.5

	As at 31 August		
	2006 £'000	2007 £'000	2008 £'000
Investments	33,618	36,890	12,959
Cash and short term deposits	1,894	783	16,969
Bank loan	(10,482)	(10,488)	(10,486)
Other net liabilities	(316)	(867)	(277)
Net assets	24,714	26,318	19,165
Net asset value per Osprey Share			
Basic	176.06	194.42	141.57
Fully diluted	176.06	194.42	141.57

Source: Osprey Annual Report & Accounts

The past three years have seen a decline in Osprey's Net Asset Value per Ordinary Share, a performance which has not been assisted by the weakness of both the UK and overseas stock markets during the period. However, Osprey has underperformed its benchmark, the Hoare Govett Smaller Companies Index, over this period by 8 per cent.

11. Relationship with Majority Shareholders

The holding company of the Company is Manchester & Metropolitan which owns 56.4 per cent. of the issued Ordinary Share capital in MLIT and 38.3 per cent. of the issued Ordinary Share capital in Osprey.

Manchester & Metropolitan is connected to Mr B S Sheppard for the purposes of section 252 of the Companies Act 2006. Pursuant to the relationship agreement dated 1 December 1997 (which is summarised more fully in paragraph 9.1.3 of Part VIII below), Mr B S Sheppard covenanted, *inter alia*, that:

- (i) no party connected with him (which expression would include Manchester & Metropolitan) would exercise voting rights in respect of any resolution involving a related party transaction; and
- (ii) the voting rights attached to the MLIT Shares held by himself and any connected person (which expression would include Manchester & Metropolitan) would be exercised in such a way to ensure that if a Director ceased to be a Director then there would be a majority of MLIT Board members independent of, *inter alia*, Manchester & Metropolitan.

Notwithstanding this relationship, the Company is able to operate independently.

12. Conflicts of Interest

It is possible that Midas, whilst acting as the Investment Manager, as well as investment manager or adviser for other clients, may encounter potential conflicts of interest. The FSA Rules require the Investment Manager to ensure fair treatment of all its clients. Furthermore, the activities of the Investment Manager in its capacity as investment manager are subject to the overall direction and review of the Directors. Subject to the overriding principles of suitability, best execution and the FSA Rules, under the terms of the investment management agreement, the Investment Manager may effect transactions which could involve a potential conflict with its duty to the Company.

The Investment Manager or any of its affiliates or any person connected with the Investment Manager may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may

also be purchased or sold by the Company. Neither the Investment Manager nor any of its affiliates nor any person connected with it is under any obligation to offer investment opportunities of which any of them becomes aware to the Company or to account to the Company in respect of or share with the Company or inform the Company of any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Company and other clients.

Brian Sheppard is a Director of the Company and a director of the Investment Manager. In compliance with the Listing Rules applicable to Closed-Ended Investment Funds, Brian will be subject to annual re-election by Shareholders at the Company's annual general meeting. Other than Brian, no Director or the Proposed Director has any potential conflict of interest between his duties to the Company and his private interests and/or other duties.

13. Current Trading and Prospects of MLIT and the Enlarged Group

Since 31 January 2009, (being the date of the latest interim report), MLIT's portfolio has performed satisfactorily compared to the FTSE All Share Index, net assets having decreased in value from £43.4 million to £42.4 million as at 27 April 2009 (being the latest practicable date before publication of this document). This figure represents a net asset value per Ordinary Share, after estimated Offer expenses, of 301.9p.

The prospects for the Enlarged Group remain subject to the uncertainties and arising from the global economic downturn and difficult financial and markets. The trend in share prices has been generally downward over the last two years and it is difficult to predict the timing of the expected eventual recovery.

14. Effect of the Offer on MLIT

The terms of the Offer have been structured to achieve a merger on broadly equal terms with the shareholders of Osprey. Due to transaction costs there is an immediate reduction in the net asset value of the Existing MLIT Shares on completion of the Offer. If the Calculation Date had been 27 April 2009, on the basis of the Offer Illustration the effect of the Acquisition on net assets per share is a reduction from 304.3p to 301.9p. The merger of MLIT with Osprey is expected to lead to one-off costs in relation to the Offer and the termination of contracts for administrative and other services, some of which will be charged to the Enlarged Group's profit and loss account and may have a negative impact on earnings for the current year. However, these are expected to lead to savings of £351,000 per annum (as described in paragraph 5 of this Part I) some of which accrue over time and may not have a material effect on the short period remaining in this financial year, but are expected to enhance earnings per share in future financial periods.

Furthermore, as a result of the Offer and the consequential increase in MLIT's Net Asset Value, there may be an increase in the demand for MLIT Shares from investors for whom MLIT had previously been too small to fall within their investment mandates. Notwithstanding such increased demand, the MLIT Board expects that, following completion of the Offer, MLIT will continue to have a diversified Shareholder register predominantly comprising, either directly or indirectly, individual (i.e. non-institutional) investors. The MLIT Board also expects the liquidity in the MLIT Shares to improve as a consequence of the increase in MLIT's size as a result of the Offer.

The combined assets of MLIT and Osprey will be managed in line with MLIT's investment policy and Midas' investment process. MLIT Shareholders approval of the Acquisition is being sought at the General Meeting as the Acquisition does not fall within MLIT's investment policy. Save for the approval of the purchase of Osprey as a variation of MLIT's investment policy, no change to that policy is being proposed.

Taxation

As a result of the Acquisition, it is anticipated that the Company may lose investment trust status under section 842 of ICTA as the investment in Osprey will represent more than 15 per cent. of the Company's investments.

As a consequence, MLIT will not be able to take advantage of the exemption from capital gains in the year to 31 July 2009. The MLIT Board does not expect that this will have any adverse tax consequences as MLIT has significant unused capital losses which amounted to over £7m at 31 July 2008 and these may be offset against any chargeable gains which are realised in MLIT during periods when it does not have investment trust status.

After the Acquisition has been completed then MLIT intends to conduct its affairs in subsequent accounting periods in such a way as to ensure that it regains investment trust status.

15. Dividend Policy

In the absence of unforeseen circumstances, dividends will be payable half yearly, usually in April and November in each year (in respect of the periods ending 31 January and 31 July).

Based on current asset values it remains the MLIT Board's intention that the dividend be paid every interim period. This intention does not constitute a forecast of the profits or return from investment in the Company and there is no guarantee of any particular level of profits or return being achieved.

Dividends are paid to the extent that they are covered by the income received from the Company's underlying investments. The distribution as dividends of surpluses from realisations of investments is prohibited by the Articles of Association and such surpluses accrue to the benefit of the company. The Company retains no more than 15 per cent. of its income derived from shares and securities in respect of any accounting period.

16. Accounting Policies

The Enlarged Group will adopt MLIT's accounting policies.

17. Corporate Governance and internal controls

The MLIT Board consists of three non-executive directors, two of whom are regarded by the MLIT Board as being independent of the Investment Manager and free from any business or other relationship which could materially interfere with the exercise of independent judgment. Notwithstanding that Mr M J Wilbraham was a director of Midas Investment Management Limited from 4 October 2000 until 31 May 2005, the MLIT Board considers that he is independent of Midas Investment Management Limited.

Arrangements to ensure the appropriate level of corporate governance have been put in place by the MLIT Board which it believes are appropriate to an entity investing in securities and, taking account of the matters referred to below, enable the Company to comply with the Combined Code on Corporate Governance published by the Financial Reporting Council and applicable for all accounting periods beginning on or after 1 November 2003.

The Management Agreement sets out the matters over which the Investment Manager has authority to act on behalf of the Company.

The MLIT Board receives full details of the Company's assets, liabilities and other relevant information in advance of MLIT Board meetings. The MLIT Board meets formally at least four times a year; however, the Investment Manager and Company Secretary stay in more regular contact with Directors on a less formal basis. Individual Directors have direct access to the Company Secretary and may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

Since all three Directors are non-executive, the Company is not required to comply with the principles of the Combined Code in respect of executive Directors' remuneration, however, the MLIT Board has appointed a remuneration committee comprising the entire MLIT Board. The MLIT Board has also appointed a management engagement committee, which comprises the entire MLIT Board. The function of this committee is to ensure that the Investment Manager complies with the terms of the Management Agreement and that the provisions of the Management Agreement follow industry practice and remain competitive and in the best interests of Shareholders.

Mr Stanley fulfils the role of senior independent non-executive Director. Given the size and composition of the MLIT Board it is not felt necessary to separate the roles of chairman and senior independent non-executive Director.

The MLIT Board has appointed a nomination committee, which comprises the entire MLIT Board and is convened for the purpose of considering the appointment of additional or replacement Directors. Full details of the duties of any new Directors are provided to them together with a letter of appointment. All newly appointed Directors receive any necessary training and induction.

The MLIT Board considers that, in view of its non-executive nature, it is not appropriate for the Directors to be appointed for a specified term of no more than three years as recommended by the Combined Code. The Articles require that one-third of the Directors retire by rotation every year.

The MLIT Board has appointed an audit committee, which operates within clearly defined terms of reference and comprises the entire MLIT Board and is chaired by Mr Wilbraham. In summary, the audit committee's main functions are:

- to review and monitor the internal financial control systems and risk management systems on which the Company is reliant;

- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing and challenging, where necessary, the actions and judgments of the Investment Manager;
- to meet, if required, with the Company's auditors to review their proposed audit programme of work and the findings of its auditors (the audit committee also uses this as an opportunity to assess the effectiveness of the audit process);
- to make recommendations to the MLIT Board in relation to the appointment of the Company's auditors and to approve the remuneration and terms of engagement of the Company's auditors; and
- to monitor and review annually the Company's auditors' independence, objectivity, effectiveness, resources and qualification.

18. Borrowing policy

The Company may borrow to gear the Company's returns when the Investment Manager believes it is in Shareholders' interests to do so. The Articles permit the Company to incur borrowing up to a sum equal to two times the adjusted total of capital and reserves.

Adjusted total of capital and reserves means a sum equal to the aggregate of:

- the amount paid up or credited as paid up on the issued share capital of the Company; and
- the amounts standing to the credit of the reserves of the Group, (whether distributable or undistributable) including the profit & loss account, share premium account, capital redemption reserve, revaluation reserve and unappropriated balance of grants (including investment grants) but deducting any debit balance on the profit and loss account (other than any such debit balance arising only on consolidation).

The Company's existing gearing amounts to zero per cent. of the Company's net assets. This is a level which the MLIT Board believes is appropriate for the Company at the present time.

19. General Meeting

A notice convening a General Meeting of the Company to be held at 9.30 a.m on 28 May 2009 at The Midland Hotel, Peter Street, Manchester M60 2DS is set out in the Circular. At that meeting a resolution will be put to Shareholders (i) to approve the Acquisition on the basis of a class 1 transaction and a related party transaction for the purposes of the Listing Rules and as a transaction which falls outside the Company's current investment policy (though the investment policy itself will remain unchanged); (ii) to approve an increase in authorised share capital; and (iii) to authorise the MLIT Board to allot MLIT Shares.

In addition, a resolution will be proposed at General Meeting to give the Company the power to purchase its MLIT Shares.

It was resolved that Mr Brian Sheppard, who is a Director and (through his investment in Manchester & Metropolitan, which holds 7,870,849 MLIT Shares representing 56.4 per cent. of its issued share capital) being a significant shareholder of MLIT, should take no part in the Board's consideration of the Offer and he did not do so.

20. Listing, settlement and dealings

The first closing date of the Offer is 1.00 p.m. on 26 May 2009. Upon the Offer becoming or being declared unconditional, the New MLIT Shares will be issued to Osprey Shareholders who accept the Offer and application will be made to have the New MLIT shares admitted to the Official List and to trading on the main market of the London Stock Exchange. It is expected that Admission will become effective and dealings in the New MLIT Shares will commence as soon as practicable in accordance with the Listing Rules, within 14 days of the Offer becoming or being declared unconditional in all respects (save only for any condition relating to Admission).

21. CREST

The Articles permit MLIT Shares to be issued and transferred in uncertificated form in accordance with the Regulations. CREST is a computerised paperless share transfer and settlement system which allows shares and other securities, to be held in electronic rather than paper form and transferred otherwise than by written instrument.

The Existing MLIT Shares are already enabled for settlement in, CREST. In addition, the New MLIT Shares will be enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in the MLIT Shares following Admission may take place within CREST if Shareholders so wish.

22. Taxation

Information regarding United Kingdom taxation is set out in paragraph 13 of Part VIII of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately

23. Further Information

Your attention is drawn to the remaining parts of this document which contain further information on MLIT, Osprey and the New MLIT Shares. In particular, your attention is drawn to the Risk Factors set out on page 7 of this document.

PART II – FINANCIAL INFORMATION ON MLIT

1. Accounts

Statutory accounts of MLIT, which have been prepared in accordance with IFRS, for each of the three financial years ended 31 July 2006, 31 July 2007 and 31 July 2008, in respect of which MLIT's auditors, CLB Coopers, Chartered Accountants, regulated by the Institute of Chartered Accountants in England and Wales, of Century House, 11 St Peter's Square, Manchester M2 3DN, made unqualified reports under section 434 on the Companies Act 2006 and its predecessor legislation, have been delivered to the Registrar of Companies.

The statutory audited accounts of MLIT for the financial periods ended 31 July 2006, 31 July 2007 and 31 July 2008 and the unaudited interim accounts for the period ended 31 January 2009 can be found on MLIT's website (www.manchesterandlondon.co.uk).

2. Financial information incorporated by reference

The information incorporated by reference is available while the Offer is open for acceptance at www.manchesterandlondon.co.uk/investorrelations and has been filed with FSA.

The following list is intended to enable investors to identify easily specific items of information which are relevant to the Acquisition and are incorporated by reference into this document. The operating and financial review forms part of the Investment Manager's review which has been incorporated by reference into this document in accordance with the table below. The page numbers below refer to the relevant pages of the respective Annual Report and Accounts.

<i>Annual Report & Accounts for Year Ended 31 July</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
<i>Nature of Information</i>	<i>Page No(s)</i>	<i>Page No(s)</i>	<i>Page No(s)</i>
Income Statement	23	20	24
Statement of changes in equity	24	21	25
Balance Sheets	25&26	22&23	26&27
Statement of Cash Flows	27	24	28
Accounting policies	28-30	25-27	29-32
Notes to the financial statements	28 to 42	25 to 32	29 to 39
Related party transactions	38	32	39
Audit report	22	19	22
Dividend per share	33	29	35
Investment Manager's review	9-10	9-10	9-10

3. Interim results

The following extracts from the interim results were published by MLIT on 31 January 2009.

Chairman's Statement

Dear Shareholder,

Half Year Results and Dividend.

The global financial outlook has continued to deteriorate since I wrote to shareholders in October 2008 and, regrettably, I cannot yet see any light at the end of the economic and financial tunnels, apart from the introduction (to the US and UK) of the untried financial experiment known as quantitative easing ("QE").

Against this background, I am pleased to report that our assets and earnings have been reasonably maintained when compared with our benchmark, the FTSE All-Share Index. This has been achieved by holding an overweight position in cash together with a high proportion of assets in multi-national FTSE 100 stocks which are very marketable. Nevertheless, shareholders will note that cash balances as at 31st January this year were lower than at the year end on 31st July 2008; this apparent contradiction of policy reflects our belief that the next phase of the current crisis could see a further deterioration in the market.

Shareholders will note an increase in the interim dividend from 2.5p to 4.5p. This increase has been undertaken to provide a more equally balanced division between the interim and final dividend at the request of a number of shareholders. Therefore this increase should not be construed as a signal that the aggregate annual dividend will be higher for 2009.

A Period of Market Turbulence.

After a quiet start to the current financial year, by the end of August the market showed no doubt that the prime trend had changed with a vengeance, the FTSE All-Share Index falling from 2868 on 29th August to 1931 by the end of October. Since then (over a period of four months) it has moved sideways within a range of 1890 – 2320; opinion is divided as to whether this uneasy movement reflects the bottom of the market. Our policy is to keep an open mind with a reluctance to commit further funds until a clearer picture emerges. The trigger for the deterioration in global markets stems from the Lehman Bros collapse and the speed of the decline in interest rates is unprecedented since the foundation of the Bank of England in 1694. Whilst our investment thinking is based on fundamentals, it is interesting to note that the "chartist" theory is the longer the index remains in a tight range, the more violent will be the break-out when it comes, irrespective of whether it is up or down. Either way, we remain cautious until the outlook is clearer.

On a more prosaic note, I can confirm that net returns received as a result of takeover bids for stocks held, amounted to £137,000 for our TDG holding of 567,500 shares, and also a sum of £388,000 resulting from the EDF bid for British Energy.

Notwithstanding the excessive payment scandals in the higher echelons of UK banking, there are few positive signs of a solution to the current problems. There appears to be limited inter-bank lending, and Governments still seem to be paralysed by events despite the recent Davos gathering to pool ideas and produce the formation of a solution. In any event, this will have to be adaptable to the US financial system from whence the troubles emanated.

The UK Government has, after a period of hesitation, now taken the plunge and introduced QE, which is their latest "buzz phrase" for controlled inflation; whether it is that easy to control is another matter as, once the genie is out of the bottle, it is difficult to put it back inside. Nevertheless, the prospect of a bout of inflation could mitigate the risk of a further deterioration of share prices.

As yet, we have not entered into any borrowing agreements with our bankers, but we are likely to negotiate an appropriate facility in the near future in the event of inflation re-emerging.

The Portfolio.

As referred to earlier in this report, we are holding 16 per cent of our assets in cash, despite the fact that it is difficult to obtain a satisfactory return because of the near zero level of interest rates. We have, however, generated a reasonable return from the money markets.

Our equity assets all have potential for capital appreciation, despite the uncertainties. Our largest holding is still PZ Cussons plc which has recovered well from a fall late last year and now represents 19 per cent of our assets. The company is uniquely

positioned with 57 per cent of its profits being earned in Nigeria and Indonesia and, despite uncertainties, these are both high growth areas for the foreseeable future despite the political history. We are also of the opinion that Microsoft will make another approach to acquire the Yahoo search engine division despite the breakdown of negotiations last year. Other substantial holdings are Tesco plc, Vodafone Group plc, Syngenta AG (fertilisers and agricultural chemicals), Friends Provident plc (new management) and Mouchel Group plc, all of which are relatively protected from recessionary factors, although not immune.

Outlook.

This "bear" market is unusual, which is why the authorities have not yet been able to find a solution. Whilst the consensus opinion seems to be that the cause has been a banking collapse brought about by reckless and profligate lending, the creation of replacement funds using the QE formula for introducing them as a replacement for that which has been "lost", is proving extremely difficult. As mentioned earlier, the solution will have to be mutually acceptable not only to the US but also other major trading nations (excluding, as yet, the EU countries). Whatever the solution(s), it will take much longer to recover from this crisis, and it will be interesting to see how, and in what form, the financial world re-emerges.

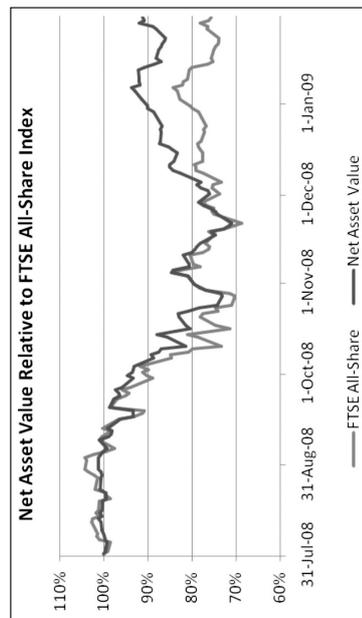
In the meantime, and because of the QE experiment, we have become fully invested on the basis that we are likely (but not certainly) to find that the next problem will be inflation.

P H A Stanley
Chairman
10 March 2009

Trust Performance

	At 31st January 2009	At 31st July 2008	Percentage Increase/ (Decrease)
Net assets attributable to Equity Shareholders (£'000)	43,434	47,669	(8.9)
Net asset value per Ordinary 25p share (p)	311.4	341.8	(8.9)
FTSE Actuaries All-Share Index	2,078.9	2,749.2	(24.4)

The price and net asset value per share is published daily in the Investment Companies Sector of the Financial Times.



Manchester & London Investment Trust plc

Portfolio Details

As at 31st January 2009

	Valuation £'000	% of Portfolio	Sector
PZ Cussons plc	8,363	19.93	Personal Goods
Mouchel Group plc	4,591	10.94	Support Services
Syngenta AG	2,818	6.72	Pharmaceutical & Biotechnical
Yahoo! Inc (Ordinary stock)	2,266	5.40	IT Consultancy & Other Services
Aberdeen Asset Management plc	2,154	5.13	Financial Services
Vodafone plc	1,945	4.63	Mobile Telecommunications
Friends Provident plc	1,929	4.60	Life Insurance
Smiths Group plc	1,591	3.79	Aerospace & Defence
BT Group plc	1,505	3.59	Fixed Line Telecommunications
Premier Oil plc	1,219	2.90	Oil & Gas Producers
International Power plc	1,204	2.87	Electricity
BAE Systems plc	1,157	2.76	Aerospace & Defence
ICAP plc	903	2.15	Financial Services
Genentech Inc	726	1.73	Pharmaceutical & Biotechnical
Centrica plc	663	1.58	Gas, Water & Multi-utilities
BG Group plc	527	1.26	Oil & Gas Producers
3i Group plc	472	1.12	Financial Services
Tesco plc	372	0.89	Food & Drug Retailers
Fiberweb plc	277	0.66	Support Services
SSL International plc	176	0.42	Household Goods
Listed investments	34,858	83.07	
Unlisted at Directors valuation	134	0.32	
Cash	6,973	16.61	
Total investments	41,965	100.00	

Manchester & London Investment Trust plc

Consolidated Income Statement

For the six months ended 31st January 2009

	(Unaudited) 6 months ended 31st January 2009		(Unaudited) 6 months ended 31st January 2008		(Audited) Year ended 31st July 2008	
	Revenue £'000	Capital Total £'000	Revenue £'000	Capital Total £'000	Revenue £'000	Capital Total £'000
Investment Income	775	- 775	1,149	- 1,149	1,244	- 1,244
Trading Income	169	- 169	-	-	576	- 576
Gains						
Gains on investments at fair value	-	(3,739) (3,739)	-	1,192 1,192	-	(4,407) (4,407)
Total Income	944	(3,739) (2,795)	1,149	1,192 2,341	1,820	(4,407) (2,587)
Expenses						
Management fee	(35)	(68) (103)	(59)	(121) (180)	(78)	(146) (224)
Transaction costs	-	(216) (216)	-	(107) (107)	-	(382) (382)
Other operating expenses	(72)	- (72)	(104)	- (104)	(175)	- (175)
Finance costs	(3)	- (3)	(55)	- (55)	(5)	- (5)
Total expenses	(110)	(284) (394)	(218)	(228) (446)	(258)	(528) (786)
Profit before tax	834	(4,023) (3,189)	931	964 1,895	1,562	(4,935) (3,373)
Taxation	-	-	-	-	(117)	- (117)
Profit attributable to equity shareholders	834	(4,023) (3,189)	931	964 1,895	1,445	(4,935) (3,490)
Earnings per ordinary share (p)	5.98	(28.85) (22.87)	6.67	6.91 13.58	10.36	(35.38) (25.02)

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

Manchester & London Investment Trust plc

Consolidated Statement of Changes in Equity

For the six months ended 31st January 2009

	Unaudited				
	Share capital	Share premium	Other reserves	Six months ended 31st January 2009	Total
Balance at 1st August 2008	3,487	9,921	(79)	6,687	47,669
Profit for the period	-	-	-	24,035	(3,189)
Transfer of capital profits	-	-	-	(2,189)	4,602
Ordinary dividend paid	-	-	-	-	(1,046)
	3,487	9,921	(79)	4,495	3,988
				21,622	43,434

	Unaudited				
	Share capital	Share premium	Other reserves	Six months ended 31st January 2008	Total
Balance at 1st August 2007	3,487	9,921	(79)	12,485	52,554
Profit for the period	-	-	-	-	1,895
Transfer of capital profits	-	-	533	431	(964)
Ordinary dividend paid	-	-	-	-	(1,046)
	3,487	9,921	(79)	13,018	3,456
				23,600	53,403

	Audited				
	Share capital	Share premium	Other reserves	Year ended 31st July 2008	Total
Balance at 1st August 2007	3,487	9,921	(79)	12,485	52,554
Profit for the period	-	-	-	-	(3,490)
Transfer of capital profits	-	-	-	(5,801)	866
Ordinary dividend paid	-	-	-	-	(1,395)
	3,487	9,921	(79)	6,684	3,621
				24,035	47,669

Manchester & London Investment Trust plc

Consolidated Balance Sheet

As at 31st January 2009

	(Unaudited) 31st January 2009 £'000	(Unaudited) 31st January 2008 £'000	(Audited) 31st July 2008 £'000
Non-current assets			
Investments held at fair value through profit or loss	34,992	48,702	31,246
Current Assets			
Trade and other receivables	1,681	2,315	812
Cash and cash equivalents	6,973	3,073	15,836
	8,654	5,388	16,648
Current Liabilities			
Trade and other payables	(212)	(687)	(225)
	8,442	4,701	16,423
Net current assets			
Net Assets	43,434	53,403	47,669
Capital and Reserves			
Called-up Share Capital	3,487	3,487	3,487
Share Premium	9,921	9,921	9,921
Capital reserve - realised	21,622	23,600	24,035
Capital reserve - unrealised	4,495	13,018	6,684
Goodwill reserve	(79)	(79)	(79)
Retained earnings	3,988	3,456	3,621
Total equity shareholders' funds	43,434	53,403	47,669
Net Asset Value per share (pence)	311.4	382.9	341.8
Ordinary shares – fully diluted			

Manchester & London Investment Trust plc

Consolidated Cash Flow Statement

For the six months ended 31st January 2009

	(Unaudited) 31st January 2009 £'000	(Unaudited) 31st January 2008 £'000	(Audited) 31st July 2008 £'000
Operating activities			
Operating (loss)/profit	(3,189)	1,950	(3,490)
Gains/(losses) on investments	4,318	(1,192)	4,407
Financing costs	3	(55)	5
(Increase)/decrease in receivables	(869)	(2,207)	(704)
(Decrease)/increase in payables	(13)	(50)	(512)
Net cash (outflow)/inflow from operating activities	250	(1,554)	(294)
Investing activities			
Purchase of investments	(49,207)	(13,687)	(48,939)
Sale of investments	41,143	15,961	62,800
Net cash inflow/(outflow) from investing activities	(8,064)	2004	13,861
Financing activities			
Interest paid on borrowings	(3)	-	(5)
Equity dividends paid	(1,046)	(1,046)	(1,395)
Net cash (outflow)/inflow from financing	(1,049)	(1,046)	(1,400)
(Decrease)/increase in cash and cash equivalents	(8,863)	(569)	12,167
Cash and cash equivalent at start of period	15,836	3,669	3,669
Cash and cash equivalent at end of period	6,973	3,073	15,836

Manchester & London Investment Trust plc

Notes to the Group Results

For the six months ended 31st January 2009

1 Accounting policies

The interim report has been prepared in accordance with International Financial Reporting Standards (IFRS).

The accounting policies are consistent with the preceding annual accounts.

The results are based on unaudited Group consolidated accounts prepared under the historical cost basis except where IFRS require an alternative treatment.

2 Comparative information

The financial information contained in this interim report does not constitute statutory accounts and that relating to the six month periods to 31st January 2009 and 31st January 2008 has not been audited.

The financial information for the period ended 31st July 2007 has been extracted from the latest published audited accounts which have been filed with the Registrar of Companies and prepared under IFRS. The report of the auditors on those accounts contained no qualification or statement under Section 237 (2) or (3) of the Companies Act 1985.

3 Significant accounting policies

Investments held at fair value through profit or loss are initially recognised at fair value. As the entity's business is investing in financial assets with a view to profiting from their total return in the form of interest dividends or increases in fair value, listed equities and fixed income securities are designated as fair value through profit or loss on initial recognition. The entity manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the group is provided internally on this basis to the entity's key management personnel.

After initial recognition, investments, which are classified as at fair value through profit and loss, are measured at fair value. Gains or losses on investments designated as at fair value through profit or loss are included in net profit or loss as a capital item, and material transaction costs on acquisition and disposal of investments are expensed and included in the capital column of the income statement. For investments that are actively traded in organised financial markets, fair value is determined by reference to the Stock Exchange quoted market bid prices or last traded prices, depending upon the convention of the exchange on which the investment is quoted, at the close of business on the balance sheet date.

In respect of unquoted investments, or where the market for a financial investment is not active, fair value is established by using an appropriate valuation technique. Where no reliable fair value can be estimated for such unquoted equity instruments, they are carried at cost, subject to any provision for impairment.

Investments in subsidiary companies are held at directors' valuation.

All purchases and sales of investments are recognised on the trade date i.e. the date that the group commits to purchase or sell an asset.

Dividend income from investments is recognised as income when the shareholders' rights to receive payment has been established, normally the ex-dividend date.

When special dividends are received, the underlying circumstances are reviewed on a case by case basis in determining whether the amount is capital, or income, or a mixture of both, in nature. Amounts recognised as income will form part of the company's distribution.

Manchester & London Investment Trust plc

4. No significant change

There has been no significant change in the financial or trading position of MLIT and its subsidiaries which has occurred since the end of the last financial period for which interim financial information has been published, being the six months ended 31 January 2009.

5. Capitalisation and indebtedness

As at 27 April 2009 (being the latest practicable date prior to the publication of this document), MLIT had cash and cash equivalents of £0.1m and no indebtedness.

The Articles permits the Company to incur borrowing of up to a sum equal to two times the adjusted total of capital and reserves. As at 31 January 2009, as disclosed in its audited accounts incorporated by reference in Part II of this document, it had indebtedness, share capital and reserves as follows:

	£'000
Total current debt	–
Total non-current debt	–
Shareholders' equity	
Ordinary share capital	3,487
Share premium	9,921
Own shares	–
Other reserves	
Capital reserve – realised	21,622
Capital reserve – unrealised	4,495
Goodwill reserve	(79)
Retained earnings	3,988
Total equity	<u>43,434</u>

6. Valuation Policy

Investments held at fair value through profit or loss are initially recognised at fair value, being the consideration given and excluding the transaction or other dealing costs associated with the investment.

After initial recognition, investments, which are classified as at fair value through profit or loss, are measured at fair value. Gains or losses in investments designated as at fair value through profit or loss are recognised in the income statement as a capital item, and material transaction costs on acquisition or disposal of investments are expenses and included in the capital column of the income statement. For investments that are actively traded in organised financial markets, fair value is determined by reference to London Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

Unlisted investments are valued at the Directors' estimate of fair value by reference to the following valuation guidelines – asset values, earnings, dividends and other relevant factors.

All purchases and sales of investments are recognised on the trade date i.e. the date that the Group commits to purchase or sell an asset.

The making of valuations will be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Such suspension will be communicated to investors via a Regulatory Information Service provider.

7. Publication of NAV

The most recently published Net Asset Value per share, which is unaudited, is 304.3p per MLIT Share as at 27 April 2009 which was included in the announcement of the Offer. The Company announces its unaudited Net Asset Value weekly, based on the value of its investments (calculated in accordance with the valuation policy set out above).

8. Meetings, reports and accounts

All general meetings are held in the United Kingdom. The Company holds an annual general meeting in each year.

The annual reports and accounts of the Group are made up to 31 July in each year with copies expected to be sent to shareholders in the following October. Shareholders also receive each year an unaudited interim report for the six months to 31 January, which is expected to be sent to shareholders in the following March.

PART III – FINANCIAL INFORMATION ON OSPREY

1. Accounts

Statutory accounts of Osprey, which have been prepared in accordance with IFRS, for each of the three financial years ended 31 August 2006, 2007 and 2008, in respect of which Osprey's auditors, Ernst & Young LLP, Chartered Accountants, regulated by the Institute of Chartered Accountants in England and Wales, of 14 New Street, St Peter Port, Guernsey GY1 4BZ, Channel Islands, made unqualified reports under section 262 of the Law and its predecessor legislation, have been approved by the shareholders and filed with the Guernsey Financial Services Commission.

2. Financial information incorporated by reference

The information incorporated by reference is available while the Offer is open for acceptance at www.elysiumfundman.com/content.asp?pageid=55 and has been filed with FSA.

The following list is intended to enable investors to identify easily specific items of information which are relevant to the Acquisition and are incorporated by reference into this document. The page numbers below refer to the relevant pages of the respective Annual Report and Accounts.

<i>Annual Report & Accounts for Year Ended 31 August</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
<i>Nature of Information</i>	<i>Page No(s)</i>	<i>Page No(s)</i>	<i>Page No(s)</i>
Income Statement	15	15	16
Statement of changes in equity	16	16	17
Balance sheet	17	17	18
Statement of Cash Flow	18	18	19
Accounting policies	19 – 21	19 – 21	20 – 23
Notes to the financial statements	19 – 29	19 – 29	21 – 32
Related party transactions	26	26	28
Audit report	14	14	15

3. Interim management information statement and interim results

3.1 The following Interim Management Statement was published by Osprey on 10 December 2008:

OSPREY SMALLER COMPANIES INCOME FUND LIMITED INTERIM MANAGEMENT STATEMENT FOR THE PERIOD ENDED 30 NOVEMBER 2008

This unaudited interim management statement has been prepared solely to provide additional information to shareholders as a body to meet the relevant requirements of the UK Listing Authority's Disclosure and Transparency Rules and should not be relied upon by any other party or for any other purpose.

This interim management statement may contain forward-looking statements, and these statements:

- have been made by the Directors in good faith based on the information available to them up to the time of their approval of this report; and
- should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information.

This unaudited interim management statement relates to the period from 1 September 2008 to 30 November 2008 and contains information that covers that period, unless otherwise stated.

Investment objective

The principal investment objective of Osprey Smaller Companies Income Fund Limited (the "Company") is to provide an attractive level of income to shareholders with potential for both income and capital growth by investing primarily in companies traded on the London Stock Exchange or AIM with market capitalisations of less than GBP1 billion at the point of initial investment.

Investment approach

The Company's portfolio is invested in the securities of smaller United Kingdom companies. The Company aims to provide both income and capital growth from a portfolio that consists of approximately 30 companies.

Although the Company's investment objective is to invest in smaller company securities it may, from time to time, hold a proportion of its assets in gilts or other fixed interest securities or cash deposits if the Board and the Investment Adviser consider it appropriate to do so.

Financial performance – capital gain statistics

	30 Nov 2008	31 Aug 2008	% change
Net asset value ⁽¹⁾	103.76p	141.57p	-26.71%
	68.50p	97.50p	-29.74%
Discount	33.98%	31.13%	+9.16%
Hoare Govett Smaller Companies Index	2,211.47	3,407.35	35.10%
FTSE Small Cap Index	1,506.58	2,485.00	-39.37%

Financial performance – total return statistics

	30 Nov 2008	31 Aug 2008	% change
Net asset value ⁽³⁾	142.01p	179.82p	-21.03%
Share price ⁽⁴⁾	106.75p	135.75p	-21.36%
Discount	24.83%	24.51%	+1.31%
Hoare Govett Smaller Companies Index	4,586.01	6,978.80	34.29%
FTSE Small Cap Index	1,764.99	2,871.45	-38.53%

1. Investments valued at bid prices.
2. The Company's share price, as referred to above, is the mid price. The share price had a spread of 9.00p at 30 November 2008.
3. Investments valued at bid prices with dividends paid since launch added back.
4. The Company's share price, as referred to above, is the mid price with dividends paid since launch added back. The share price had a spread of 9.00p at 30 November 2008.

Commentary

The continuing difficulties in the world equity markets have been reflected in the performance of the Company, with the net asset value decreasing by 26.71 per cent. to 103.76p[1]. The Company did however outperform its two closest benchmarks, the FTSE Small Cap Index, which fell by 39.37 per cent., and the Hoare Govett Smaller Companies Index, which fell by 35.10 per cent.. The share price fell 29.74 per cent. to 68.50p at 30 November 2008 and the discount increased from the year end by 9.16 per cent. to 33.98 per cent.

November showed some signs of stability relative to October which was extremely welcome. The Company continued its strategy of slowly investing cash back into the market into FTSE 250 stocks and attempting to reduce our holdings in non-FTSE 250 stocks. Our optimistic hope is that the market may well range trade for a number of months now between levels on the FTSE 100 of 3,800 and 4,400.

We believe that the larger companies by market capitalisation will outperform smaller companies and this is why we are focusing on FTSE 250 exposure rather than Smaller Caps.

We maintain our hope that the forthcoming recession will be similar in stature to the early 1980s and early 1990s recessions and, if so, very good value is available in multinational businesses that may show some resilience to an economic slowdown, whilst offering an attractive dividend yield/valuation.

Portfolio

Top ten holdings as at 30 November 2008

Stock name	Sector	% of portfolio
i Shares FTSE 100	Equity investment instruments	9.78
Consort Medica	Health care equipment & services	5.94
BT Group	Fixed line telecommunications	5.86
De La Rue	Support services	3.63
Aberdeen Asset Management	General financial	3.34
Weir Group	Industrial engineering	2.99
Abacus Group	Electronic and electrical equipment	2.51
WSP Group	Support services	2.23
Acal	Electronic and electrical services	2.12
Mouchel Group	Support services	2.11

Material events

The annual report and financial statements for the year ended 31 August 2008 was published on 5 November 2008.

During November 2008, as a result of the investment market downturn and following negotiations with Bank of Scotland, the bank loan covenants were amended until 11 May 2009, stating that 80 per cent. of the Permitted Investments must have a market capitalisation of GBP100,000,000 or greater.

On 10 December 2008, an Ordinary resolution was passed at the Annual General Meeting appointing Grant Thornton Limited as Auditors of the Company.

There were no other material events to report during the period, or up to 10 December 2008, being the date of publication of this interim management statement, other than those material transactions described below.

Material transactions

During October 2008, the Company voluntarily repaid GBP3,000,000 of the loan facility with Bank of Scotland. Following this partial repayment, GBP7,500,000 of the bank loan remains outstanding.

On 21 October 2008 the Company announced that they would buy back 2,707,388 Osprey Shares for GBP2,563,960. Following the purchase the Company cancelled these shares together with the 500,000 shares already held as Treasury Shares.

In order to exert a positive influence over the discount of the share price to the net asset value, on 5 December 2008, the Board purchased 100,000 Osprey Shares, to be held as Treasury Shares, for 64p per share. On 9 December 2008, the Board purchased a further 30,000 Osprey Shares to be held as Treasury Shares, for 63p per share. Following the purchases, the issued share capital of the Company comprised 10,699,612 Osprey Shares of 10p each.

R Prosser
Chairman
10 December 2008

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3.2 The following interim report was published by Osprey on 24 April 2009

Investment Objective and Approach

Objective

The principal investment objective of Osprey Smaller Companies Income Fund Limited (the "Company") is to provide an attractive level of income to shareholders with potential for both income and capital growth by investing primarily in companies traded on the London Stock Exchange or AIM with market capitalisations of less than £1 billion at the point of initial investment.

Approach

The Company's portfolio is primarily invested in the securities of smaller and mid-sized UK companies. The Company aims to provide both income and capital growth from a portfolio that consists of approximately 30 companies.

Although the Company's investment objective is to invest in smaller and mid-sized company securities it may, from time to time, hold a proportion of its assets in the equities of larger companies, gilts or other fixed interest securities or cash deposits if the Board and the Investment Adviser consider it appropriate to do so.

A closed-ended investment company, incorporated under The Companies (Guernsey) Law, 2008, as amended.
REGISTERED IN GUERNSEY NO. 39892.

Chairman's Statement

I am pleased to present the Half Yearly Report and Financial Statements of the Company for the six months ended 28 February 2009.

Results

This period has been as understandably difficult for the Company as for equity markets as a whole. The net asset value per share decreased by 27.95% during the period. The net asset value fell from £19.2 million at 31 August 2008, to £10.8 million at 28 February 2009. However, £2.2 million of the decrease in net assets was a result of the tender offer and share buy-backs during the period (see below), which proved to be successful, adding 6.79p to the net asset value per share. The net assets of the

Company (excluding the effects of the tender offer and share buy-backs) fell by 32.15%, significantly better than the FTSE Small Cap Index (excluding investment trusts) ("FTSE SmallCap Index"), the Company's closest benchmark, which fell by 42.88%.

The Company had a negative total return for the period of 27.95% which outperformed the negative total return of the FTSE SmallCap Index of 41.66% and the negative total return of the Hoare Covett Smaller Companies Index (excluding investment trusts) of 33.52%.

During the period from launch to 28 February 2009 the net asset value per Ordinary Share rose from 97.00p to 102.00p⁽¹⁾, a rise of 5.15%. As at 28 February 2009, the mid market price per Ordinary Share stood at 87.00p⁽²⁾ (29 February 2008: 122.50p⁽²⁾, 31 August 2008: 97.50p⁽²⁾), a fall of 13% since launch.

Dividends

The Company continues to pay dividends to Shareholders in line with the original estimates,

as contained in the Prospectus, and a first interim dividend for the year ending 31 August 2009 of 2.50p was paid on 14 April 2009. As at 28 February 2009, distributable reserves stood at £10,632,153 (28 February 2008: £3,748,023, 31 August 2008: £3,489,559). The increase in distributable reserves is largely due to the introduction of The Companies (Guernsey) Law, 2008, pursuant to which it is no longer necessary for a Company to maintain a share premium account as all reserves can be designated as distributable. Therefore on 30 November 2008, the Company transferred all of the share premium account (£8,995,000) to the special distributable reserve.

Tender Offer and Treasury Shares

On 19 September 2008, the Company made a tender offer for up to 20% of its Ordinary Shares. At an Extraordinary General Meeting of the Company held on 16 October 2008, a resolution authorising the Company to repurchase 20% of the Ordinary Shares for cancellation was approved. On 21 October 2008, the Company announced that it would buy back 2,707,338 Ordinary Shares for cancellation for £2,563,960.

At 31 August 2008, the Company held 500,000 shares in treasury. These shares were cancelled in conjunction with the abovementioned tender offer.

During the period ended 28 February 2009, in order to exercise control over the discount of the share price to the net asset value, the Company purchased a total of 275,000 shares to be held in treasury.

Following the cancellation of the Treasury Shares on 25 February 2009, as at 28 February 2009 the Company did not hold any shares in treasury (28 February 2008: 500,000, 31 August 2008: 500,000).

Chairman's Statement

Share Price

Although the Company has faced uncertain and volatile market conditions in the period, the abovementioned measures employed by the Board during the period, have helped to reduce the discount of the share price to net asset value significantly from 31.23%⁽¹⁾ at 31 August 2008, to 14.71%⁽¹⁾ at 28 February 2009.

March Performance

The volatile market conditions continued after the period end, resulting in a 0.43p (0.55%) decrease in the net asset value to 101.44p⁽¹⁾ at 31 March 2009. During March, the FTSE SmallCap Index rose by 1.68% and the Hoare Govett Smaller Companies Index rose by 5.07%. The share price at 31 March 2009 stood at 87.00p⁽²⁾, the same as the share price at the period end. The stabilising of the share price is a positive result for the Company.

Developments

On 27 March 2009, it was made public that the Board was considering proposals that may lead to the merger of Manchester and London Investment Trust PLC ("MLIT") and the Company, to be effected by way of a recommended offer by MLIT for the Company. Under the offer it is expected that accepting shareholders of the Company will receive new MLIT shares, the number of which will be determined by reference to a formula based on net assets per share.

Both MLIT and the Company are managed by Midas. Midas and the board of MLIT believe the proposed offer allows the two investment companies to

increase their respective scale, which in turn could lead to the following benefits:

- cost reductions as a proportion of net assets through economies of scale;
- the increased size of the merged group which may provide more liquidity for shareholders; and
- the increased net asset value may increase the probability that the group can gain access to finance if required, particularly in the current climate where smaller companies may struggle to find lending solutions.

A majority of shareholders in the Company have been approached and have indicated that, if an offer based on the relative formula asset value of MLIT and the Company were to be made, they would accept that offer.

Outlook

Although all companies have experienced extremely turbulent trading conditions recently, the Board is cautiously optimistic that, even though the times ahead will be difficult, the Company is well positioned to take advantage of future opportunities and face the challenges ahead. The Board is also confident that the proposed merger with MLIT will ensure that the Company will be able to emerge from the difficulties of the current market conditions in a significantly stronger position, which will be an advantage to all shareholders.

R PROSSER

24 April 2009

Risk Warning

An investment in the Company is only suitable for financially sophisticated investors who are capable of evaluating the risks and merits of such an investment, or other investors who have been professionally advised with regard to investment, and who have sufficient resources to bear any loss which might result from such an investment. There can be no guarantee that investors will recover their initial investment. This investment employs gearing and may be subject to sudden and large falls in value. You should be aware that movements in the price of the Company may be more volatile than movements in the price of the underlying investments and that there is a risk that you may lose all the money that you have invested. Investors considering an investment should consult their stockbroker, bank manager, solicitor, accountant and/or other independent financial adviser.

In respect of some of the companies in which the Company may invest:

- they may be undergoing significant change. Such businesses are usually exposed to greater risks than those not undergoing such change;
- they may have less mature businesses, a more restricted depth of management and accordingly a higher risk profile;
- the market value of and income derived from such shares can fluctuate; and
- there may not be a liquid market for their shares. The fact that a share is traded on a market does not guarantee its liquidity. Accordingly, such shares may be difficult to realise at quoted market prices.

Any change in the tax treatment of dividends paid or income received by the Company may reduce the

level of yield received by shareholders. Any change in the Company's tax status or in tax legislation could affect the value of the investments held by and the performance of the Company.

Investment in the Company should be regarded as long-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back the full value of their investment. There can be no guarantee that the investment objective of the Company will be met.

The market capitalisation of the Company may make the market of the Ordinary Shares less liquid than would be the case for a larger company.

The Company's policy of charging 100% of the Company's investment advisory fees, transaction costs and financing costs effectively to the Company's capital account may result in the diminution of the asset value of the Company.

Whilst the use of borrowings by the Company should enhance the net asset value of the Ordinary Shares where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. Furthermore, should any fall in the underlying asset value result in the Company breaching the financial covenants applicable to the Bank of Scotland plc Loan Facility, the Company may be required to repay such borrowing in whole or in part together with any attendant costs. In order to repay such borrowings the Company may have to sell assets at less than their quoted market values.

The interest rate under the Bank of Scotland plc Loan Facility is not currently fixed although the Directors may decide at some future date to hedge

⁽¹⁾ Investments valued at bid prices.

⁽²⁾ The Company's share price, as referred to above, is the mid price. The share price had a spread of 10p at the period end.

Risk Warning

some, or all, of the outstanding amount under the facility by way of interest rate swaps. As the Bank of Scotland plc Loan Facility is not hedged the applicable interest rate varies over time in accordance with the movements in three month LIBOR rates. If interest rates increase the Company's debt service obligations will increase. A material increase in interest rates could result in the Company being in breach of the financial covenants under the facility.

A positive net asset value for the Ordinary Shares will be dependent upon the Company's assets being sufficient to meet the Bank of Scotland plc Loan Facility.

On a winding-up of the Company, the Ordinary Shares rank for repayment of capital after repayment of the Bank of Scotland plc Loan Facility and all other creditors of the Company. Ordinary Shares are only appropriate for investors who understand that they may receive an amount less than their original investment.

Performance Statistics

CAPITAL GAIN STATISTICS

	Net asset Value ⁽¹⁾ pence	Share price (mid price) pence	Hoare Govett Smaller Companies Index ⁽²⁾	FTSE Small Cap Index ⁽³⁾	Net asset Value ⁽¹⁾ since launch	Share price (mid price) % change since launch	Hoare Govett Smaller Companies Index ⁽²⁾ % change since launch	FTSE Small Cap Index ⁽³⁾ % change since launch
30 August 2002 (launch date)	97.00	100.00	1,961.04	2,040.00	—	—	—	—
28 February 2003	78.87	71.00	1,677.47	1,707.90	-18.69	-29.00	-14.46	-16.28
31 August 2003	130.81	102.50	2,343.89	2,435.10	+34.86	+2.50	+19.52	+19.37
29 February 2004	147.42	120.50	2,694.93	2,730.20	+51.98	+20.50	+37.42	+33.83
31 August 2004	131.30	107.50	2,574.87	2,471.70	+35.36	+7.50	+31.30	+21.16
28 February 2005	156.35	132.25	3,053.22	2,925.40	+61.19	+32.25	+55.69	+43.40
31 August 2005	150.19	125.25	3,254.48	3,062.00	+54.84	+25.25	+65.96	+50.10
28 February 2006	180.11	157.50	3,848.44	3,454.10	+85.68	+57.50	+96.24	+69.32
31 August 2006	177.86	156.50	3,793.93	3,351.50	+83.36	+56.50	+93.46	+64.29
28 February 2007	207.24	182.00	4,502.55	3,894.10	+113.65	+82.00	+129.60	+90.89
31 August 2007	194.92	166.50	4,450.05	3,679.67	+100.95	+66.50	+126.92	+80.38
29 February 2008	154.81	122.50	3,815.16	2,907.70	+59.60	+22.50	+86.49	+42.53
31 August 2008	141.78	97.50	3,407.35	2,485.00	+46.16	-2.50	+73.75	+21.81
28 February 2009	102.13	87.00	2,225.86	1,419.33	+5.29	-13.00	+13.50	-30.43
31 March 2009	101.57	87.00	2,338.72	1,443.61	+4.71	-13.00	+19.26	-29.23

Notes

⁽¹⁾Investments valued at mid prices, less dividends paid.

⁽²⁾Hoare Govett Smaller Companies Index (Capital Gains) – Excluding investment companies.

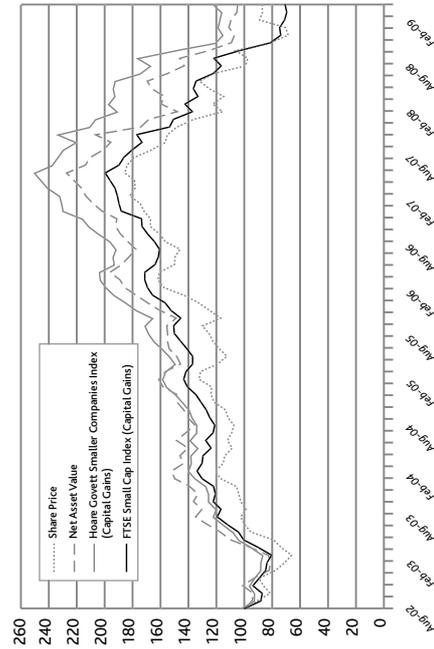
⁽³⁾FTSE Small Cap Index (Capital Gains) – Excluding investment companies.

Investment Restrictions as stated in the Prospectus

The Company complied with restrictions as set out below throughout the period:

- distributable income is principally derived from investments. The Company does not undertake significant trading activity;
- save in respect of cash deposits awaiting investment, not more than 20% of the gross assets of the Company are lent to or invested in the securities of any one company or group at the time the investment or loan is made (for this purpose any existing holding in the company concerned is aggregated with the proposed new investment);

- dividends are not paid unless they are covered by income received from underlying investments and, for this purpose, a share of profit of an associated company is unavailable unless distributed to the Company;
- the distribution as a dividend of surpluses arising from the realisation of investments is prohibited;
- the Company is not a dealer in investments; and
- the Company will not take legal or management control of investments in the portfolio.



All data is rebased at 100. Start up date was 30 August 2002. Initial share price was 100.00p and NAV was 97.00p.

Performance Statistics

TOTAL RETURN STATISTICS

	Net asset Value ⁽¹⁾ per cent	Share price (mid price) ⁽²⁾	Hoare Govett Smaller Companies Index ⁽³⁾	FTSE SmallCap Index ⁽⁴⁾	Net asset Value ⁽¹⁾ % change since launch	Share price (mid price) ⁽²⁾ % change since launch	Hoare Govett Smaller Companies Index ⁽³⁾ % change since launch	FTSE SmallCap Index ⁽⁴⁾ % change since launch
30 August 2002 (launch date)	97.00	100.00	3,392.10	2,013.25	-	-	-	-
28 February 2003	78.87	71.00	2,943.22	1,707.11	-18.69	-29.00	-13.23	-15.21
31 August 2003	136.31	108.00	4,198.21	2,479.90	+40.53	+8.00	+23.76	+23.18
29 February 2004	152.92	126.00	4,877.13	2,808.40	+57.65	+26.00	+43.78	+39.50
31 August 2004	142.30	118.50	4,739.09	2,581.75	+46.70	+18.50	+39.71	+28.24
28 February 2005	167.35	143.25	5,685.41	3,083.95	+72.53	+43.25	+67.61	+53.18
31 August 2005	163.19	138.25	6,166.27	3,270.40	+68.24	+38.25	+81.78	+62.44
28 February 2006	196.86	174.25	7,366.58	3,722.58	+102.95	+74.25	+117.17	+84.90
31 August 2006	196.86	175.50	7,389.96	3,661.54	+102.95	+75.25	+117.86	+87.87
28 February 2007	229.99	204.75	8,846.46	4,296.50	+137.10	+104.75	+160.80	+113.41
31 August 2007	226.67	198.25	8,848.02	4,113.80	+133.68	+98.25	+160.84	+104.34
29 February 2008	186.56	154.25	7,288.12	3,288.71	+92.33	+54.25	+114.86	+63.35
31 August 2008	180.03	135.75	6,978.80	2,871.45	+85.60	+35.75	+105.74	+42.63
28 February 2009	140.38	125.25	4,639.76	1,675.08	+44.72	+25.25	+36.78	-16.80
31 March 2009	139.82	125.25	4,886.93	1,706.75	+44.14	+25.25	+44.07	-15.22

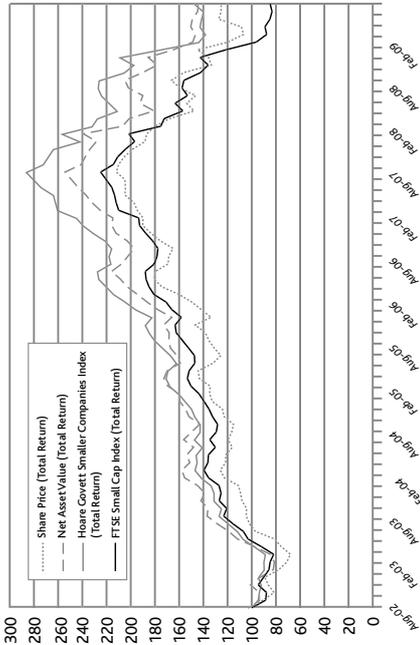
Notes

⁽¹⁾ Investments valued at mid prices plus dividends paid.

⁽²⁾ Mid price plus dividends paid.

⁽³⁾ Hoare Govett Smaller Companies Index (Total Return) – Excluding investment companies.

⁽⁴⁾ FTSE Small Cap Index (Total Return) – Excluding investment companies.



All data is released at 100. Start up date was 30 August 2002. Initial share price was 100.00p and NAV was 97.00p.

Investment Adviser's Report

Stock markets declined dramatically during the first half of the financial year with a fall of 32.4% in the FTSE All Share Index. As we had positioned the Company with a net-cash to net-asset position of 32% at the beginning of the period, the Company outperformed the market by 4.5%.

We continued to reduce our exposure to microcaps with the sales of holdings in XP Power, Nationwide Accident Repair Services, ACP Capital, Primary Health Properties, Macfarlane Group, Johnston Press, Lupus Capital, Avesco Group and RPC Group. We reinvested in FTSE 350 stocks, in particular, PZ Cussons, Chloride Group, Aberdeen Asset Management, Scottish & Southern Energy, Vodafone Group, Tesco and Cable & Wireless. This increased the Company's exposure to the FTSE 350 from 40.2% to 76% over the period.

During the period under review, the outstanding performers have been De La Rue which rose by 17.5% and PZ Cussons which rose by 24%. There were very disappointing performances from Fenner, WSP Group and Laird Group but we are hopeful of some recovery in these stocks over the next six months.

By the period end, we had reinvested a material proportion of our cash balances into the stock market across a number of sectors, but we continue to be underweight in microcaps, due to concerns regarding liquidity and the availability of finance for these companies to grow.

We continue to favour stocks serving international markets where prospects have possibilities for improvement. We remain materially underweight to retailers, house builders and real estate, and consumer discretionary focused stocks such as travel and leisure.

It is extremely difficult to judge where the financial markets are now going but it is worth noting that our exposure to the market is the highest since our appointment. We are hopeful that the initiation of quantitative easing ("QE") in the UK and USA, the possibility that QE may be somewhat inflationary, and the fact that the market has already fallen substantially, may suggest the market may well be forming a bottom. Nonetheless, using previous peak to trough earnings cycles and a range of trough PE multiples, results in targets as low as 2,800 for the FTSE 100 which causes some concern.

Therefore, we remain at best cautiously optimistic, and we continue to feel that the supply and demand pulls of the different asset classes on a greatly reduced capital base may well be more important to judging any turn in the equity markets rather than the analysis of historic valuation multiples. In essence, there will become a point where the relative attractions of equities will outweigh the defensiveness of cash and gilts.

M SHEPPARD
MIDAS INVESTMENT MANAGEMENT LIMITED
24 April 2009

Income Statement

for the period from 1 September 2008 to 28 February 2009 (unaudited)

	1 Sept 2008 to 28 Feb 2009 (unaudited) £'000	1 Sept 2007 to 29 Feb 2008 (unaudited) £'000	1 Sept 2007 to 31 Aug 2008 (audited) £'000
Investment gains and losses			
Realised (loss)/gain from the sale of investments at fair value through profit or loss	(3,847)	2,359	7,305
Movement in unrealised gain/loss on revaluation of investments at fair value through profit or loss	(1,905)	(7,677)	(13,562)
Total investment losses	(5,752)	(5,318)	(6,257)
Income			
Dividends	735	544	1,115
Bank interest	210	53	261
Total Income	945	597	1,376
Expenses			
Investment Adviser's fee	(5)	–	–
Management fee	(72)	(165)	(308)
Administration fee	(70)	(42)	(95)
Custodian fee	(17)	(9)	(29)
Audit fee	(10)	(7)	(13)
Directors' fees	(29)	(25)	(49)
Interest payable and similar charges	(276)	(379)	(749)
Tender offer costs	(204)	–	–
Other expenses	(147)	(60)	(150)
Total expenses	(830)	(687)	(1,393)
Net loss from operating activities	(5,637)	(5,408)	(6,274)
Loss per Ordinary Share – Basic and fully diluted	(49.05)p	(39.95)p	(46.34)p

The accompanying notes on pages 15 to 23 form an integral part of these unaudited half yearly financial statements.
These half yearly financial statements are unaudited and are not the Company's statutory financial statements.

Statement of Changes in Equity

for the period from 1 September 2008 to 28 February 2009 (unaudited)

	Note	Share capital £'000	Share premium £'000	Distributable reserves £'000	Other non- distributable reserves £'000	Total £'000
Net assets at 1 September 2008		1,404	8,995	3,490	5,276	19,165
Re-designation of share premium account	16	–	(8,995)	8,995	–	–
Net profit/(loss) for the period		–	–	561	(6,198)	(5,637)
Dividends	11	–	–	–	–	–
Purchase of own shares	15	(349)	–	(2,414)	–	(2,763)
Net assets at 28 February 2009		1,055	–	10,632	(922)	10,765

Statement of Changes in Equity

for the period from 1 September 2007 to 29 February 2008 (unaudited)

	Note	Share capital £'000	Share premium £'000	Distributable reserves £'000	Other non- distributable reserves £'000	Total £'000
Net assets at 1 September 2007		1,404	8,995	3,270	12,649	26,318
Net profit/(loss) for the period		–	–	478	(5,886)	(5,408)
Dividends	11	–	–	–	–	–
Net assets at 29 February 2008		1,404	8,995	3,748	6,763	20,910

Statement of Changes in Equity

for the year ended 31 August 2008 (audited)

	Note	Share capital £'000	Share premium £'000	Distributable reserves £'000	Other non- distributable reserves £'000	Total £'000
Net assets at 1 September 2007		1,404	8,995	3,270	12,649	26,318
Net profit/(loss) for the year		–	–	1,099	(7,373)	(6,274)
Dividends	11	–	–	(879)	–	(879)
Net assets at 31 August 2008		1,404	8,995	3,490	5,276	19,165

The accompanying notes on pages 15 to 23 form an integral part of these unaudited half yearly financial statements.
These half yearly financial statements are unaudited and are not the Company's statutory financial statements.

Balance Sheet

as at 28 February 2009 (unaudited)

	Note	28 Feb 2009 (unaudited) £'000	29 Feb 2008 (unaudited) £'000	31 Aug 2008 (audited) £'000
Non-current assets				
Investments at fair value through profit or loss	12	9,859	26,234	12,959
Current assets				
Receivables and prepayments		22	21	151
Cash and cash equivalents		9,514	5,688	16,969
		9,536	5,709	17,120
Total assets		19,395	31,943	30,079
Current liabilities				
Other payables and accruals	13	(1,147)	(553)	(428)
Non-current liabilities				
Bank loan	14	(7,483)	(10,480)	(10,486)
Total liabilities		(8,630)	(11,033)	(10,914)
Net assets		10,765	20,910	19,165
Capital and reserves				
Called-up share capital	15	1,055	1,404	1,404
Share premium account	16	–	8,995	8,995
Distributable reserves		10,632	3,748	3,490
Other non-distributable reserves		(922)	6,763	5,276
Total equity shareholders' funds		10,765	20,910	19,165
Net asset value per Ordinary Share	18	102.00p	154.47p	141.57p

The accompanying notes on pages 15 to 23 form an integral part of these unaudited half yearly financial statements. These half yearly financial statements are unaudited and are not the Company's statutory financial statements.

Statement of Cash Flow

for the period from 1 September 2008 to 28 February 2009 (unaudited)

	Note	1 Sept 2008 to 28 Feb 2009 (unaudited) £'000	1 Sept 2007 to 29 Feb 2008 (unaudited) £'000	1 Sept 2007 to 31 Aug 2008 (audited) £'000
Operating activities				
Dividends received		734	618	1,190
Bank interest received		224	52	246
Management fee paid		(4)	(189)	(474)
Administration fee paid		(67)	(42)	(84)
Performance fee paid		–	(726)	(726)
Loan interest paid		(323)	(380)	(740)
Tender offer expenses paid		(203)	–	–
Other expenses paid		(194)	(98)	(218)
Net cash inflow/(outflow) from operating activities	19	167	(765)	(806)
Investing activities				
Purchase of investments at fair value through profit or loss		(10,050)	(411)	(3,413)
Sale of investments at fair value through profit or loss		8,206	6,091	21,294
Net cash (outflow)/inflow from investing activities		(1,844)	5,680	17,881
Financing activities				
Dividends paid on Ordinary Shares	11	–	–	(879)
Bank loan repaid		(3,000)	–	–
Bank loan arrangement fees	14	(15)	(10)	(10)
Purchase of own shares	15	(2,763)	–	–
Net cash outflow from financing activities		(5,778)	(10)	(889)
(Decrease)/increase in cash and cash equivalents		(7,455)	4,905	16,186
Cash and cash equivalents at beginning of period		16,969	783	783
(Decrease)/increase in cash and cash equivalents		(7,455)	4,905	16,186
Cash and cash equivalents at period/year end		9,514	5,688	16,969

The accompanying notes on pages 15 to 23 form an integral part of these unaudited half yearly financial statements. These half yearly financial statements are unaudited and are not the Company's statutory financial statements.

Notes to the Half Yearly Financial Statements

for the period from 1 September 2008 to 28 February 2009 (unaudited)

1. General Information

The Company is a closed-ended investment company registered under the provisions of The Companies (Guernsey) Law, 2008, as amended.

The Company was incorporated on 2 August 2002 and began trading on 30 August 2002, with listings on the London Stock Exchange and The Channel Islands Stock Exchange, following the placing of 14,037,000 Ordinary Shares of 10p each and the drawdown of £7,558,380 under a bank term facility. On 23 May 2006 an additional £2,941,620 was drawn down, increasing the loan to £10,500,000. The loan has subsequently been reduced to £7,500,000.

It is the aim of the Company to provide an attractive level of income to shareholders with potential for both income and capital growth by investing primarily in companies traded on the London Stock Exchange or AIM with market capitalisations of less than £1 billion at the point of initial investment.

2. Statement of Compliance

These unaudited half yearly financial statements, which have not been reviewed by an independent auditor, have been prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34"). They do not include all of the required information required for full annual financial statements and should be read in conjunction with the Company's financial statements for the year ended 31 August 2008.

The half yearly financial statements were authorised for issuance on 24 April 2009.

3. Significant Accounting Policies

These half yearly financial statements have adopted the same accounting policies as the last audited financial statements which were prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee and applicable legal and regulatory requirements of Guernsey Law and reflect the following policies, which have been adopted and applied consistently.

4. Segmental reporting

The Directors are of the opinion that the Company is engaged in a single economic segment of business, primarily being investment in companies traded on the London Stock Exchange or AIM with market capitalisations of less than £1 billion at the initial point of investment. All investments operate in one geographic segment, the United Kingdom, in the sense that they are listed on the London Stock Exchange or traded on AIM.

Notes to the Half Yearly Financial Statements

for the period from 1 September 2008 to 28 February 2009 (unaudited)

5. Investment Advisory, Management, Performance and Administration Fees

With effect from 1 January 2009, Midas Investment Management Limited, the Investment Advisor, receives an annual fee equivalent to 0.25% of the net asset value of the Company. No performance fee is payable under the Investment Advisory Agreement. Midas' contract is terminable by either party on one year's notice.

Elysium Fund Management Limited ("Elysium") provides administration and secretarial services for a fee of £140,000 per annum, subject to an annual increase. Elysium's contract is terminable by either party on one year's notice.

The Company terminated Unicorn's investment advisory agreement with effect from 18 June 2008 and paid Unicorn £150,000, together with all fees that had been accrued but were unpaid at that date, as full and final settlement of all claims that Unicorn had. No performance fee was payable on termination. As a result of the new agreements, the function of Manager no longer exists as the duties performed under that role are being undertaken by the Administrator and the Investment Adviser.

6. Directors' Fees

	1 Sept 2008 to 28 Feb 2009 (unaudited) £'000	1 Sept 2007 to 29 Feb 2008 (unaudited) £'000	1 Sept 2007 to 31 Aug 2008 (audited) £'000
R Prosser	11	7.5	16
D Harris	9	7.5	15
R Davies (appointed on 18 June 2008)	9	–	3
R Alcock (resigned on 31 May 2008)	–	10	15
	29	25	49

No bonuses or pension contributions were paid or were payable on behalf of the Directors.

The Directors have no beneficial interest in the share capital of the Company.

7. Interest Payable and Similar Charges

	1 Sept 2008 to 28 Feb 2009 (unaudited) £'000	1 Sept 2007 to 29 Feb 2008 (unaudited) £'000	1 Sept 2007 to 31 Aug 2008 (audited) £'000
Floating rate interest payable - bank loan (note 14)	259	376	741
Amortisation of bank loan arrangement fees	17	3	8
	276	379	749

Notes to the Half Yearly Financial Statements

for the period from 1 September 2008 to 28 February 2009 (unaudited)

8. Tender Offer Costs

In October 2008, the Company tendered to buy-back up to 20% of the Ordinary Shares of the Company for cancellation. This was effected at an Extraordinary General Meeting of the Company held on 16 October 2008, and the shares purchased were cancelled. The cost of the Tender Offer was £203,692.

9. Other Expenses

	1 Sept 2008 to 28 Feb 2009 (unaudited) £'000	1 Sept 2007 to 29 Feb 2008 (unaudited) £'000	1 Sept 2007 to 31 Aug 2008 (audited) £'000
Transaction costs	79	24	59
Sponsor's and Broker's fees	16	9	27
Registrar's fee	6	5	12
Other expenses	46	22	52
	147	60	150

10. Loss per Ordinary Share – Basic and Fully Diluted

The loss per Ordinary Share is based on a loss of £5,637,000 (29 February 2008: loss of £5,408,000, 31 August 2008: loss of £6,274,000) and on a weighted average number of 11,491,859 (28 February 2008: 13,537,000, 31 August 2008: 13,537,000) Ordinary Shares in issue.

11. Dividends

	1 Sept 2008 to 28 Feb 2009 (unaudited) £'000	1 Sept 2007 to 29 Feb 2008 (unaudited) £'000	1 Sept 2007 to 31 Aug 2008 (audited) £'000
First interim paid of 2.50p (2007: 2.50p) per Ordinary Share	–	–	338
Second interim paid of 4.00p (2007: 4.00p) per Ordinary Share	–	–	541
	–	–	879

A first interim dividend for the year ending 31 August 2009 of £263,866 (2.50p per Ordinary Share) was declared on 17 March 2009 and was paid on 14 April 2009. In accordance with IAS 10, these dividends have not been recognised as liabilities of the Company as at 28 February 2009 as they had not been paid, and hence did not represent an obligation at that date.

As at 28 February 2009, the amount available for distribution was £10,632,153, 91.16p per Ordinary Share (29 February 2008: £3,748,023, 27.69p per Ordinary Share, 31 August 2008: £3,489,559, 25.78p per Ordinary Share), based on shares in issue of 10,554,612 (29 February 2008: 13,537,000, 31 August 2008: 13,537,000).

Notes to the Half Yearly Financial Statements

for the period from 1 September 2008 to 28 February 2009 (unaudited)

12. Investments at Fair Value Through Profit or Loss

	1 Sept 2008 to 28 Feb 2009 (unaudited) £'000	1 Sept 2007 to 29 Feb 2008 (unaudited) £'000	1 Sept 2007 to 31 Aug 2008 (audited) £'000
Opening valuation	12,959	36,890	36,890
Purchases at cost	10,814	753	3,664
Sales – proceeds	(8,162)	(6,091)	(21,338)
– realised (loss)/gain	(3,847)	2,359	7,305
Movement in unrealised gain/loss on investments	(1,905)	(7,677)	(13,562)
Closing valuation	9,859	26,234	12,959
Closing book cost	13,350	21,935	14,545
Closing unrealised (loss)/gain	(3,491)	4,299	(1,586)
Closing valuation	9,859	26,234	12,959

The portfolio is managed and its performance evaluated on both a bid and a mid price basis. Information about the portfolio is provided internally to the Company's Board of Directors.

13. Payables and Accruals

	28 Feb 2009 (unaudited) £'000	29 Feb 2008 (unaudited) £'000	31 Aug 2008 (audited) £'000
Investments awaiting settlement	1,014	343	250
Accrued interest payable	30	89	95
Investment Advisory fee (note 5)	5	–	–
Administration fee (note 5)	35	21	32
Management fee (note 5)	–	73	4
Other accruals	63	27	47
	1,147	553	428

14. Bank Loan

Bank of Scotland plc (the "Bank") has made available a £10,500,000 loan facility, expiring on 15 April 2010. Interest is payable at the aggregate of three month LIBOR, certain regulatory costs charged by the Bank and a margin of 1.05% per annum. Under the terms of the Bank of Scotland plc Facility Letter, the Bank of Scotland plc Facility is secured by the Company granting to the Bank an English Law floating charge, a Guernsey Law security interest agreement and a Jersey Law security interest agreement over substantially all of its assets.

Notes to the Half Yearly Financial Statements

for the period from 1 September 2008 to 28 February 2009 (unaudited)

14. Bank Loan (continued)

The Bank of Scotland plc Facility Letter contains financial and other covenants, including, inter alia, that:

- i) the ratio of the aggregate mid market value of all permitted investments held by the Company to the aggregate amount outstanding under the Bank of Scotland plc Facility is required to be not less than 2.15:1 (tested monthly) ensuring that the aggregate value of the specified investments shall not be less than 2.0:1; and
- ii) the ratio of the gross amount of all income receivable by the Company from permitted investments to the aggregate of all interest, commissions and other financial expenses attributable to the total borrowings of the Company, charged, accrued or capitalised for such period, is required to be at least 1.2:1 (tested semi-annually).

The Company has complied with its financial covenants throughout the period. The Administrator continues to monitor the loan covenants and reports to the Bank monthly. Assuming there are no further significant falls in world equity markets, the Directors have no reason to believe that any breaches of the financial covenants will be made in the foreseeable future.

The Company was charged an arrangement fee of £26,250 when the loan facility was made available. This is being amortised over the original period of the loan to October 2009. An additional fee of £7,355 was incurred in respect of the loan extension of £2,941,620 and is being amortised from 23 May 2006 to 15 April 2010. The Company changed the terms of the loan facility on 29 February 2008 and was charged a fee of £10,000, which is being amortised from 29 February 2008 to 15 April 2010. These changes were negotiated in order to give greater flexibility in the repurchase of Ordinary Shares in the Company for cancellation or for treasury purposes.

On 16 September 2008 the Company was charged an arrangement fee of £5,000 and certain investment restrictions of the facility were amended in order that the Company was able to undertake the tender offer and on 31 October 2008, a further £10,000 arrangement fee was charged to the Company following a re-negotiation of a minor bank loan covenant.

On 15 December 2008 the Company was charged an arrangement fee of £5,000 in order to facilitate the buy-back of shares by which the Board exerted their control of the discount of the share price to the net asset value. The £5,000 was amortised over the period of the agreement which ran until 31 January 2009.

The bank loan arrangement fees have been deducted from the carrying value of the loan.

During October 2008, the Company voluntarily repaid £3,000,000 of the loan facility with the Bank. Following this partial repayment, £7,500,000 of the bank loan remains outstanding.

Notes to the Half Yearly Financial Statements

for the period from 1 September 2008 to 28 February 2009 (unaudited)

15. Share Capital

	28 Feb 2009 (unaudited) £'000	29 Feb 2008 (unaudited) £'000	31 Aug 2008 (audited) £'000
Authorised:			
75,000,000 Ordinary Shares of 10p each	7,500	7,500	7,500
Alotted, called-up and fully paid:			
10,554,612 (29 February 2008: 13,537,000, 31 August 2008: 13,537,000) Ordinary Shares of 10p each	1,055	1,354	1,354
Nil (29 February 2008: 500,000, 31 August 2008: 500,000) Treasury Shares of 10p each	–	50	50
	1,055	1,404	1,404

The Company has one class of Ordinary Shares which carry no right to fixed income.

At an Extraordinary General Meeting of the Company held on 16 October 2008, a special resolution authorising the Company to repurchase 20% of the Ordinary Shares for cancellation was approved.

On 21 October 2008, the Company announced that they would buy back 2,707,388 Ordinary Shares for £2,563,960. Following the purchase the Company cancelled these shares together with the 500,000 shares already held as Treasury Shares.

The Company also has the authority to purchase up to 10% of the Ordinary Shares in issue and hold them as Treasury Shares. During the period, 275,000 (29 February 2008: nil, 31 August 2008: nil) Ordinary Shares were purchased for £190,082, to be held as Treasury Shares. On 25 February 2009 the Company cancelled all 275,000 shares that were held as Treasury Shares. At 28 February 2009, the Company held no Ordinary Shares (29 February 2008: 500,000, 31 August 2008: 500,000) as Treasury Shares.

16. Share Premium

From 1 July 2008, and pursuant to The Companies (Guernsey) Law, 2008, as amended, it is no longer necessary for a Company to maintain a share premium account as all reserves can be designated as distributable. Therefore on 30 November 2008, the Company transferred all of the share premium account to the special distributable reserve.

Notes to the Half Yearly Financial Statements

for the period from 1 September 2008 to 28 February 2009 (unaudited)

17. Duration of the Company

At the Annual General Meeting of the Company to be held in 2009, a special resolution shall be proposed that the Company ceases to continue as an investment company. If that resolution is passed, the Directors are required to formulate proposals to put to Shareholders to reorganise, utilise or reconstruct the Company or to wind up the Company. If the resolution to cease being an investment company is not passed, a similar resolution will be proposed at every fifth Annual General Meeting thereafter.

18. Net Asset Value per Ordinary Share

The net asset value per Ordinary Share is based on the net assets attributable to equity shareholders of £10,765,000 (29 February 2008: £20,910,000, 31 August 2008: £19,165,000) and on 10,554,612 (29 February 2008: 13,537,000, 31 August 2008: 13,537,000) Ordinary Shares in issue at the end of the period.

19. Reconciliation of Net Loss From Operating Activities to Net Cash Inflow/(Outflow) From Operating Activities

	1 Sept 2008 to 28 Feb 2009 (unaudited) £'000	1 Sept 2007 to 29 Feb 2008 (unaudited) £'000	1 Sept 2007 to 31 Aug 2008 (audited) £'000
Net loss from operating activities	(5,637)	(5,408)	(6,274)
Realised loss/(gain) on investments at fair value through profit or loss	3,847	(2,359)	(7,305)
Movement in unrealised gain/loss on investments at fair value through profit or loss	1,905	7,677	13,562
Amortisation of bank loan arrangement fee	17	3	8
Movement in receivables and prepayments (excluding investments awaiting settlement)	(46)	78	(9)
Movement in other payables and accruals (excluding investments awaiting settlement)	81	(756)	(788)
Net cash inflow/(outflow) from operating activities	167	(765)	(806)

20. Capital Commitments

There were no contracted capital commitments as at 28 February 2009 that have not been disclosed in the half yearly financial statements.

Notes to the Half Yearly Financial Statements

for the period from 1 September 2008 to 28 February 2009 (unaudited)

21. Events After the Balance Sheet Date

On 27 March 2009, it was made public that the Board was considering proposals that may lead to the merger of Manchester London Investment Trust PLC ("MLIT") and the Company, to be effected by way of a recommended offer by MLIT for the Company. Under the offer, it is expected that accepting shareholders of the Company will receive new MLIT shares, the number of which will be determined by reference to a formula based on net assets per share.

Both MLIT and the Company are managed by Midas. Midas and the board of MLIT believe the proposed offer allows the two investment companies to increase their respective scale, which in turn could lead to the following benefits:

- cost reductions as a proportion of net assets through economies of scale;
- the increased size of the merged group which may provide more liquidity for shareholders; and
- the increased net asset value may increase the probability that the group can gain access to finance if required, particularly in the current climate where smaller companies may struggle to find lending solutions.

A majority of shareholders in the Company have been approached and have indicated that, if an offer based on the relative formula asset value of MLIT and the Company were to be made, they would accept that offer.

22. Related Parties

The relationship and transactions between the Company, the Investment Adviser and the Administrator (previously known as the "Manager") are disclosed in note 5. All of the transactions between the parties were performed on terms equivalent to those that prevail in an arms length transaction.

During the period, investment advisory fees due to Midas Investment Management Limited of £5,000 (29 February 2008: nil, 31 August 2008: nil) and administration fees due to Elysium Fund Management Limited of £70,000 (29 February 2008: £42,000, 31 August 2008: £95,000) were incurred.

At 28 February 2009, £5,000 (29 February 2008: nil, 31 August 2008: nil) was payable to Midas Investment Management Limited in respect of investment advisory fees and £35,000 (29 February 2008: £21,000, 31 August 2008: £32,000) was payable to Elysium Fund Management Limited in respect of administration fees.

The Company also pays Elysium £12,000 per annum and £10,000 per annum for office expenses and sponsor fees respectively. At 28 February 2009, £3,000 (29 February 2008: £3,000, 31 August 2008: £3,000) was owed to Elysium in respect of office expenses.

The Directors are not aware of any ultimate controlling party.

Notes to the Half Yearly Financial Statements

for the period from 1 September 2008 to 28 February 2009 (unaudited)

23. Capital Management Policy and Procedures

The Company's capital management objectives are:

- a) to ensure that it will be able to continue as a going concern; and
- b) to maximise its total return through both income from, and the capital appreciation of, its investments.

The Board monitors and reviews the structure of the Company's capital on an ad hoc basis. This review includes assessing:

- a) the current and future levels of gearing;
- b) the need to buy back equity shares for cancellation or to be held in treasury, which takes account of the difference between the net asset value per Ordinary Share and the share price; and
- c) the current and future dividend policy.

The Company's objectives, policies and processes for managing capital remain unchanged from the previous year.

As at 28 February 2009, the Company held a bank loan of £7,500,000. (29 February 2008: £10,500,000, 31 August 2008: £10,500,000), £7,483,000 (29 February 2008: £10,480,000, 31 August 2008: £10,486,000) net of bank loan arrangement fees. As disclosed on the balance sheet the total equity shareholders funds are £10,765,000 (29 February 2008: £20,910,000, 31 August 2008: £19,165,000).

Directors

Richard Prosser (Chairman)

A resident of Jersey, Mr Prosser is a chartered accountant. He was previously a partner of Reads & Co Chartered Accountants from 1992 to 1996 and a director of EFC Reads Trust Company Limited and EFG Reads Investment Management Services Limited from 1992 to 2000. He is currently a director of Appleby Trust (Jersey) Limited and a partner of Appleby Group.

David Harris

A resident of the UK, Mr Harris is CEO of InvaTrust Consultancy Limited, a specialist investment and marketing consultancy group. He is a previous Director of the Association of Investment Companies where he was responsible for training, education and marketing issues. He is currently a non-executive director of Character Group plc, COBRA Holdings plc, Aseama Properties Limited, Small Companies Dividend Trust plc and F&C Managed Portfolio Trust plc. He appears regularly as an investment commentator on both TV and radio and is a previous winner of the award "Best Investment Adviser in the United Kingdom".

Rhys Davies

A resident of Switzerland, Mr Davies is a Chartered Financial Analyst and has nearly fifteen years of continuous investment management experience since joining Schroder Investment Management Limited in 1994. Since 1998, Mr Davies has served as managing director of Glendower Capital Limited and Glendower Partners Limited. He is also non-executive chairman of China Growth Opportunities Limited and a non-executive Director of the Local Radio Company PLC, both AIM-listed companies, and several private companies. Mr Davies holds degrees from the University of Wales and Imperial College of Science, Technology and Medicine.

Advisers

Administrator, Secretary, Channel Islands Sponsor and Registered Office Elysium Fund Management Limited 2nd Floor, No. 1, Le Truchot St Peter Port Guernsey GY1 3JX	Investment Adviser Midas Investment Management Limited 22nd Floor, Arthur House Chorlton Street Manchester M1 3FH
Principal Bankers Bank of Scotland Corporate Banking, New Superior House 11 Earl Grey Street Edinburgh EH3 9BN	Registrar Capita Registrars (Guernsey) Limited Longue Hougue House St Sampsons Guernsey GY2 4JN
Auditors Grant Thornton Limited Island House, PO Box 313 Grande Rue St Martins Guernsey GY1 3TF	Custodian and Settlement Agent Collins Stewart (CI) Limited Landes du Marché Chambers Vale Guernsey GY1 3TY
Guernsey Legal Adviser to the Company Carey Olsen 7 New Street St Peter Port Guernsey GY1 4BZ	United Kingdom Sponsor and Stockbroker Mazars Corporate Finance Limited Tower Bridge House St Katharine's Way London E1W 1DD
English Legal Adviser to the Company Stephenson Hanwood One, St Paul's Churchyard London EC4M 8SH	

4. No significant change

There has been no significant change in the financial or trading position of Osprey which has occurred since the end of the last financial period for which interim financial information has been published, being the six months ended 28 February 2009.

5. Capitalisation and indebtedness

As at 27 April 2009 (being the latest practicable date prior to the publication of this document), Osprey had cash and cash equivalents of £79,843.

As at 31 August 2008, as disclosed in its audited accounts incorporated by reference in Part III of this document, it had indebtedness, share capital and reserves as follows:

	£'000
Non-current assets	12,959
Current assets	
Receivables and prepayments	151
Cash and cash equivalents	16,969
Total assets	<u>30,079</u>
Total current debt	(428)
Total non-current debt	(10,486)
Total liabilities	<u>(10,914)</u>
Net assets	<u>19,165</u>
Capital and reserves	
Called up share capital	1,404
Share premium	8,995
Distributable reserves	3,490
Other non-distributable reserves	5,276
Total equity shareholders' funds	<u>19,165</u>

6. Valuation Policy

Recognition

Osprey recognises financial assets held as fair value through profit or loss assets on the date it commits to purchase the investments. From this date any gains and losses arising from the changes in fair value of the assets are recognised.

Measurement

Fair value through profit or loss assets are initially recognised at fair value, being the fair value of the consideration given excluding transaction charges associated with the investment. Subsequent to initial recognition, all fair value through profit or loss assets are measured at fair value with changes in value being recognised in the income statement. For investments actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices as at the close of business on the balance sheet date. Osprey does not hold unlisted investments.

De-recognition

A fair value through profit or loss assets is derecognised when Osprey loses control over the contractual rights that comprise that asset. This occurs when rights are realised, expire or are surrendered. Realised gains and losses on fair value through profit or loss assets sold are calculated as the difference between the sales proceeds, excluding transaction costs and cost. Fair value through profit or loss assets that are sold are derecognised and corresponding receivables from the buyer are recognised on the date Osprey commits to sell the assets. The Company uses the weighted average method to determine realised gains and losses on derecognition.

7. *Publication of NAV*

Osprey announces its unaudited Net Asset Value monthly, based on the value of its investments (calculated in accordance with the valuation policy set out above). The most recently published (unaudited) Net Asset Value per Osprey Share was 108.4p as at 27 April 2009 which was included in the announcement of the Offer.

8. *Meetings, reports and accounts*

All general meetings are held in Guernsey. The Company holds an annual general meeting in each year.

The annual reports and accounts of the Group are made up to 31 August in each year with copies expected to be sent to shareholders in the following December. Shareholders also receive each year an unaudited interim report for the six months to 28 February, which is expected to be sent to shareholders in the following May.

PART IV – DETAILS OF THE PORTFOLIOS

1. MLIT

As at 27 April 2009 (being the latest practicable date prior to the publication of this document), the Company's portfolio comprised 22 investments with an aggregate value, at their closing bid-market prices on that date, of £40.3 million.

Investment portfolio

As at close of business on 27 April 2009, MLIT's main investments were as set out in the following table:

<i>Stock</i>	<i>Current Value (£)</i>	<i>% of Net Assets</i>	<i>Sector</i>	<i>Market</i>
PZ CUSSONS PLC	7,445,453	18%	Personal Goods	LSE Official List
SYNGENTA AG	3,410,917	8%	Pharmaceutical & Biotechnical	SIX Swiss Exchange
MOUCHEL GROUP PLC	3,127,424	7%	Support Services	LSE Official List
YAHOO! INC	2,737,748	6%	Software & Computer Services	NASDAQ
VODAFONE GROUP PLC	2,263,888	5%	Mobile Telecommunications	LSE Official List
ABERDEEN ASSET MANAGEMENT PLC	2,242,525	5%	Financial Services	LSE Official List
PREMIER OIL PLC	2,040,462	5%	Oil & Gas Producers	LSE Official List
SCOTTISH & SOUTHERN ENERGY PLC	1,906,723	4%	Electricity	LSE Official List
FRIENDS PROVIDENT PLC	1,781,102	4%	Life Insurance	LSE Official List
SMITHS GROUP PLC	1,641,640	4%	Aerospace & Defence	LSE Official List
INTERNATIONAL POWER PLC	1,538,473	4%	Electricity	LSE Official List
3i GROUP PLC	1,396,171	3%	Financial Services	LSE Official List
TESCO PLC	1,289,937	3%	Food & Drug Retailers	LSE Official List
BAE SYSTEMS PLC	1,273,845	3%	Aerospace & Defence	LSE Official List
BP PLC	1,270,290	3%	Oil & Gas Producers	LSE Official List
ICAP PLC	984,934	2%	Financial Services	LSE Official List
BG GROUP PLC	951,327	2%	Oil & Gas Producers	LSE Official List
CENTRICA PLC	861,002	2%	Gas, Water & Multi-utilities	LSE Official List
CABLE & WIRELESS PLC	751,096	2%	Fixed Line Telecommunications	LSE Official List
PREMIER OIL PLC (NIL PAID)	474,006	1%	Oil & Gas Producers	LSE Official List
FIBERWEB PLC	468,903	1%	Support Services	FTSE SmallCap
ROYAL DUTCH SHELL PLC 'B'	427,840	1%	Oil & Gas Producers	LSE Official List

All investments listed above are equity shares, denominated in Sterling (save for Syngenta which is denominated in CHF and Yahoo which is denominated in USD), which have been issued by companies registered in England (save for Syngenta and Yahoo which are registered in Switzerland and Delaware, USA, respectively).

2. Osprey

As at 27 April 2009 (being the latest practicable date prior to the publication of this document), Osprey's portfolio comprised 27 investments with an aggregate value, at their closing bid-market prices on that date, of £11.4 million.

Investment portfolio

As at close of business on 27 April 2009, Osprey's main investments were as set out in the following table:

<i>Stock</i>	<i>Current Value (£)</i>	<i>% of Net Assets</i>	<i>Sector</i>	<i>Market</i>
CONSORT MEDICAL PLC	976,365	9%	Health care equipment & services	LSE Official List
ABERDEEN ASSET MANAGEMENT PLC	873,747	8%	Financial Services	LSE Official List
WEIR GROUP PLC	718,739	6%	Industrial engineering	LSE Official List
BP PLC	642,390	6%	Oil & Gas Producers	LSE Official List
ISHARES PLC ISHARES FTSE 100	616,082	5%	Investment instruments	LSE Official List
VODAFONE GROUP PLC	553,316	5%	Mobile Telecommunications	LSE Official List
CABLE & WIRELESS PLC	539,585	5%	Fixed Line Telecommunications	LSE Official List
SCOTTISH & SOUTHERN ENERGY PLC	507,380	4%	Electricity	LSE Official List
CHLORIDE GROUP PLC	497,004	4%	Electronic & electrical equipment	LSE Official List
TESCO PLC	489,048	4%	Food & Drug Retailers	LSE Official List
WSP GROUP PLC	479,980	4%	Support services	LSE Official List
LAIRD PLC	450,136	4%	Electronic & electrical equipment	LSE Official List
VENTURE PRODUCTION PLC	442,044	4%	Oil & Gas Producers	LSE Official List
ACAL PLC	411,320	4%	Electronic & electrical equipment	LSE Official List
CHARTER INTERNATIONAL PLC	358,871	3%	Industrial engineering	LSE Official List
SSL INTERNATIONAL PLC	341,420	3%	Personal goods	LSE Official List
DE LA RUE PLC	306,616	3%	Support services	LSE Official List
MOUCHEL GROUP PLC	290,442	3%	Support Services	LSE Official List
PZ CUSSONS PLC	272,965	2%	Personal goods	LSE Official List
UNILEVER PLC	273,044	2%	Food Producers & Processors	LSE Official List
XCHANGING PLC	265,386	2%	Support services	LSE Official List
PREMIER OIL PLC	239,862	2%	Oil & Gas Producers	LSE Official List
ISHARES PLC ISHARES FTSE 250	228,232	2%	Investment instruments	LSE Official List
FENNER PLC	178,605	2%	Industrial engineering	LSE Official List
BODYCOTE PLC	153,884	1%	Industrial engineering	LSE Official List
HUNTING PLC	143,307	1%	Oil Equipment, Services & Distbn	LSE Official List
AVEVA GROUP PLC	94,333	1%	Software & computer services	LSE Official List

All investments listed above are equity shares, denominated in Sterling, which have been issued by companies registered in England and which are listed on the Official List.

The information in this Part IV is unaudited.

PART V – CALCULATION OF THE FORMULA ASSET VALUES

For the purpose of this Part V, each of Osprey and MLIT is, unless the context otherwise requires, referred to as the “Relevant Company”. Each of the FAV per Osprey Share and the FAV per MLIT Share shall be calculated as at the close of business on the Calculation Date (being the date on which the Offer becomes or is declared unconditional as to acceptances) and shall be the amount in pence which is the result of the following formula, rounded to four decimal places (with 0.00005p being rounded upwards):

$$\text{FAV per share of the Relevant Company} = \frac{A - B}{C}$$

where “A” is the aggregate of:

- (i) the value of those investments of the Relevant Company which are listed, traded, quoted or dealt in on a recognised stock exchange or on AIM, a market of the London Stock Exchange, calculated by reference to the bid quotations or, if not available, prices or the last trade prices for those investments as at the close of business on the Calculation Date as derived from the relevant exchange’s recognised method of publication of prices for such investments (any CFD accounts containing cash and positions to be valued using the statement from the independent CFD administrator as at the close of business on the Calculation Date);
- (ii) the value of those investments of the Relevant Company which are dealt in or traded on any publicly-available exchange or market (including any “over the counter” market but excluding any exchange or market referred to in sub-paragraph A(i) above), calculated by reference to the average of the daily average of the prices marked for such investments on each of the five business days up to and including the Calculation Date on which there were dealings or trading in such investments as derived from the relevant market’s recognised method of publication of prices for such investments;
- (iii) the value of those investments of the Relevant Company which are units in unit trusts or shares in open-ended investment companies, calculated by reference to the prices or, in the case of units or shares in respect of which cancellation and bid prices are quoted, the lower of the cancellation and bid prices quoted as at the close of business on the Calculation Date by the manager of the relevant unit trust or open-ended investment company for holdings of the size held by the Relevant Company (and, for the avoidance of doubt, any such investments which are listed, traded, quoted or dealt in on a recognised stock exchange shall be valued under this sub-paragraph (iii) and not under sub-paragraph A(i) above);
- (iv) the value of those traded uncovered options and futures contracts to which the Relevant Company is a party as at the close of business on the Calculation Date which are traded on a stock, commodities, financial futures or other securities exchange, calculated by reference to the official middle-market closing prices on the Calculation Date as derived from the relevant exchange’s recognised method of publication of prices for such traded options and futures contracts;
- (v) the value of traded call options contracts to which the Relevant Company is a party as at the close of business on the Calculation Date which are traded on a stock held in the portfolio of the Relevant Company shall be valued at zero unless the premium is still due in which case the position will be valued at the premium value due;
- (vi) the value of those investments of the Relevant Company which have unexpired call options sold against an underlying stock held in the portfolio of the Relevant Company shall be valued at the strike price of the call if the bid price of the investment is above the strike price as at the close of business on the Calculation Date;
- (vii) the value of all other investments of the Relevant Company, calculated as being their fair realisable values as at the close of business on the Calculation Date as determined by agreement between the Company Secretary of MLIT, on behalf of MLIT, and Elysium on behalf of Osprey (or, failing such agreement within seven days after the Calculation Date, as determined by an independent expert);
- (viii) the amount as at the close of business on the Calculation Date of any sums due from debtors (including, for this purpose, any dividends or distributions receivable on investments quoted ex-dividend or ex-distribution on the Calculation Date and any interest accrued on any debt securities as at the Calculation Date and any recoverable tax credit in relation thereto, but excluding any dividend, distribution or interest not yet received which has been taken into account in the value of any of the investments referred to in sub-paragraphs A (i) to (vii) (inclusive) above or is unlikely to be received), cash and deposits with or balances at banks, bills receivable and any money market instruments of the Relevant Company (together with, in each case, any accrued interest at that date less an accrual for any associated tax) and the fair realisable value of any other tangible assets of the Relevant Company not otherwise accounted for in sub-

paragraphs A (i) to (vii) (inclusive) above, less any provision for diminution of value which may be appropriate in respect of any of sub-paragraphs A (i) to (vii) (inclusive) above (including provisions for bad or doubtful debts), in each case as determined by agreement between the Company Secretary of MLIT, on behalf of MLIT, and Elysium, on behalf of Osprey (or, failing such agreement within seven days after the Calculation Date, as determined by an independent expert); and

- (ix) in the case of the FAV per MLIT Share only, (a) the value of its Wimbledon debentures will be valued at £110,000 which was the last valuation as provided by the All England Lawn Tennis Ground plc; and (b) the value of its outstanding claim for VAT and interest repayable from HM Customs which shall be valued at £45,017.23.

“B” is the aggregate of:

- (i) in respect of each Relevant Company, the principal amounts as at the close of business on the Calculation Date of any outstanding borrowings plus any accrued but unpaid interest, commitment fees and other charges up to and including that date and the higher of any premiums or penalties payable on either early or final repayment if required;
- (ii) the cost of closing as at the close of business on the Calculation Date any open foreign exchange or other forward purchase or sale contract to which the Relevant Company is a party on that date (save to the extent otherwise taken into account in calculating the FAV per share of the Relevant Company);
- (iii) in the case of the FAV per Osprey Share only, the cost of termination as at the close of business on the Calculation Date of any investment advisory (Midas have agreed that no termination fee will be due in the event the Offer becomes unconditional), advisory, custody and administrative arrangements in force on that date, including, but not limited to, any compensation or other payments to be made to any investment manager, investment adviser, administrator, secretary, director or employee of Osprey, such amount to include irrecoverable value added tax (where applicable) but to exclude any tax relief;
- (iv) in the case of the FAV per Osprey Share only, the cost of terminating as at the close of business on the Calculation Date any other contracts or arrangements whatsoever in force on that date to which Osprey is a party, but excluding, for the purpose of this sub-paragraph B (iv), any investment management, advisory and administrative arrangements in force at the close of business on the Calculation Date;
- (v) the total cost of any dividend or other distribution of the Relevant Company declared on or before the Calculation Date, so far as not previously paid;
- (vi) in the case of the FAV per Osprey Share only, the costs, expenses and fees of any independent expert appointed in connection with determining the Formula Asset Values (of either/or both Relevant Companies), as well as any additional accrued but unpaid costs and expenses to the Relevant Companies arising directly as a result of and specifically in connection with the appointment of an independent expert and the performance of its function, such amount to include irrecoverable value added tax (where applicable) but to exclude any tax relief;
- (vii) the aggregate of the amount of any Panel on Takeovers and Mergers fees or UK Listing Authority fees to be borne equally by each Relevant Company in respect of the Offer (including any VAT chargeable);
- (viii) the amount of all stamp duty or stamp duty reserve tax as may be payable by MLIT in respect of the transfer of the Osprey Shares pursuant to the Offer (assuming full acceptance of the Offer), as estimated by agreement between the Company Secretary of MLIT, on behalf of MLIT, and Elysium, on behalf of Osprey (or, failing such agreement within seven days after the Calculation Date, as determined by an independent expert) to be borne equally by each Relevant Company;
- (ix) the aggregate of the amount of all accrued but unpaid professional, advisory, legal and other fees and other advertising costs and expenses incurred by the Relevant Company in connection with the Offer, such amount to include irrecoverable value added tax (where applicable) but to exclude any tax relief including all such fees, costs and expenses relating to or in connection with the determination of the Formula Asset Values (excluding any amounts arising under sub-paragraph B (vi) above) but excluding for the purpose of this sub-paragraph B (ix) all stamp duty and stamp duty reserve tax already provided for in accordance with sub-paragraph B (viii) above, such amount to include irrecoverable value added tax (where applicable) but to exclude any tax relief;
- (x) the aggregate of the amount of any accrued but unpaid professional, advisory, legal and other fees and advertising and other costs and expenses whatsoever incurred by the Relevant Company otherwise than in connection with the Offer, such amount to include irrecoverable value added tax (where applicable) but to exclude any tax relief; and

- (xi) an amount which fully reflects all other liabilities and obligations of the Relevant Company whatsoever, including a fair provision for any contingent liabilities (including any additional liabilities to taxation, whether or not deferred, and any liabilities arising on liquidation) or losses (including disputed claims), as at the close of business on the Calculation Date determined by agreement between the Company Secretary of MLIT, on behalf of MLIT, and Elysium, on behalf of Osprey (or, failing such agreement within seven days after the Calculation Date, as determined by an independent expert); and

“C” is the aggregate of:

- (i) the number of shares in the Relevant Company in issue as at the close of business on the Calculation Date.

Notes:

1. For the purpose of the above calculations, the value of any investments, other assets or liabilities denominated or valued in currencies other than sterling shall be converted into sterling at the closing mid-point spot rate of exchange between sterling and such other currencies in London as at the close of business on the Calculation Date as published in the Financial Times or, failing which, as certified by Midas (acting as an expert and not as an arbitrator).
2. In the case of sub-paragraphs A(i), (ii), (iii), (iv), (v) and (vi) above, if there has been any general suspension of trading on the relevant stock, commodities, financial futures or other securities exchange or market, or if it was closed for business on the Calculation Date, the value of the relevant investments, traded options or futures contracts shall be taken as at the close of business on the immediately preceding date on which there was trading on such exchange or market, provided that such date is not more than seven days prior to the Calculation Date and save that, if there has been a material adverse change in the financial position of any such underlying investment, traded option or futures contract since the date by reference to which its value is calculated but prior to the close of business on the Calculation Date, a fair provision (as determined by agreement between the Company Secretary of MLIT, on behalf of MLIT, and Elysium, on behalf of Osprey (or, failing such agreement within seven days after the Calculation Date, as determined by an independent expert)) shall be made to take account of such adverse change in the value of the relevant investment, traded option or futures contract.
3. Subject to note 2 above, in the case of sub-paragraphs A (i) to (vi) (inclusive) above:
 - (i) where any such investment, traded option or futures contract is subject to restrictions on transfer or a suspension of dealings or if no such published or quoted prices are available in respect of any such investment, traded option or futures contract, in each case as at the close of business on the Calculation Date, the value of such investment, traded option or futures contract will be calculated as at the close of business on the Calculation Date in accordance with sub-paragraph A (vii) above; and
 - (ii) where any such investment, traded option or futures contract is, at the close of business on the Calculation Date, subject to any right of any person to acquire the same or any obligation on the Relevant Company to dispose of the same, whether as a result of the Offer being made or becoming or being declared unconditional or otherwise, at a price more or less than would otherwise be determined in accordance with sub-paragraphs A (i) to (vi) (inclusive) above, such investment, traded option or futures contract shall be valued at such greater or lesser price unless such right or obligation is unconditionally and irrevocably waived or lapses prior to the calculation of the FAV per share of the Relevant Company otherwise being agreed or determined.
4. Subject to note 5 below, with regard to sub-paragraphs A (vii) and (viii) above, the Company Secretary of MLIT and Elysium and, if appointed, any independent expert shall have regard, inter alia, to the following when determining the value of any investment or other asset (which shall be calculated on the basis of a notional sale by a willing seller to a willing buyer, without regard to any additional value that might be attributed to such investment or other asset by any special category of potential purchaser):
 - (i) the existence or exercise of any pre-emption rights or obligations in respect of such investment or other asset or any other restrictions on the transfer or disposal of the same which may exist or which may arise as a consequence of the proposed acquisition by MLIT of Osprey or any Osprey Shares or of the transfer of such investment or other asset to any party or of the winding up of Osprey;
 - (ii) the terms and volumes of any recent dealings in, and marketability of, such investment or other asset; and

- (iii) the amount of any bona fide offer to acquire such investment or other asset which may be made by any person and brought to the attention of the Company Secretary of MLIT and Elysium or, if appointed, any independent expert.
5. With regard to sub-paragraphs A (vii) and (viii) above, the Company Secretary of MLIT and Elysium and, if appointed, any independent expert shall, except in the case of debtors and tangible assets, be bound by the actual amount of cash items and, in the case of debtors and tangible assets, shall adopt the accounting policies used by the Relevant Company in its latest audited financial statements.
 6. If any liability referred to in sub-paragraphs B(i) to (xi) (inclusive) above has not been determined by the date on which the calculations and adjustments otherwise necessary to determine the FAV per share of the Relevant Company have been made, there shall be included in “B” such amount in respect of any such liability as shall be considered to be an appropriate estimate by agreement between the Company Secretary of MLIT and Elysium (or, failing such agreement within seven days after the Calculation Date, as determined by an independent expert).
 7. In agreeing any fair realisable value (in the case of sub-paragraphs A (vii) and (viii) above) or estimating or determining the amount of any liabilities, obligations or losses (in the case of sub-paragraphs B(viii) or B(xi) above), or in making any determination under notes 2 and 6 above, the Company Secretary of MLIT and Elysium shall act as experts and not as arbitrator and any such determination shall be final and binding on all persons and neither of them shall be under any liability to any person by reason thereof or by reason of anything done or omitted to be done by them for the purposes thereof or in connection therewith.
 8. The independent expert referred to herein shall be a member of the London Investment Banking Association (not connected with any of the parties providing advice to Osprey or MLIT in connection with the Offer) selected by the Company Secretary of MLIT and Elysium or, in default of such selection within 14 days after the Calculation Date, by the chairman for the time being of the London Investment Banking Association on the application of either the Company Secretary of MLIT or Elysium. Such member shall act as an expert and not as an arbitrator and his determination shall (subject to any agreement to the contrary between MLIT and Osprey) be final and binding on all persons and such member shall not be under any liability to any person by reason of his appointment or by anything done or omitted to be done by him for the purposes of such appointment or in connection therewith.
 9. The Osprey Directors shall be invited to prepare the calculation of the FAV per Osprey Share for review and approval by The Company Secretary of MLIT on behalf of MLIT. The Directors shall be invited to prepare the calculation of the FAV per MLIT Share for review and approval by Elysium on behalf of Osprey. In the event of a dispute regarding the calculation of the FAV per Osprey Share or the FAV per MLIT Share, such dispute shall be determined by a chartered accountant selected by agreement between MLIT and Osprey or, in default of such agreement within 14 days after the Calculation Date, selected by the President for the time being of the Institute of Chartered Accountants in England and Wales, which chartered accountant shall act as an expert and not as an arbitrator and whose determination shall (subject to any agreement to the contrary between MLIT and Osprey) be final and binding on all persons, provided that such chartered accountant shall (subject to any agreement to the contrary between MLIT and Osprey) be bound by any values of investments or other assets or any quantification of liabilities, obligations or losses agreed between the Company Secretary of MLIT and Elysium or otherwise agreed between MLIT and Osprey or determined by a decision of any independent expert referred to in this Part V in respect of any investment or other asset valued by him or any liability, obligation or loss quantified by him. In the absence of any such dispute, such calculation approved by, or on behalf of, MLIT or Osprey, as the case may be, shall be final and binding on all persons.
 10. Notwithstanding note 9 above, if either of the calculations of the FAV per Osprey Share or the FAV per MLIT Share has not been so prepared and delivered to the Company Secretary of MLIT or Elysium for their respective approval by the date seven days after the Calculation Date or (whether or not such delivery has been so made) a final determination of either the FAV per Osprey Share or the FAV per MLIT Share has not been made by the date 14 days after the Calculation Date, then, pending such final determination, a provisional calculation of the FAV per Osprey Share or the FAV per MLIT Share (as the case may be) shall be prepared by MLIT and the Company Secretary of MLIT on the basis of such information as is available to them (and after making such assumptions as they consider appropriate). In that event, an initial consideration, equal to 85 per cent. of the New MLIT Shares would be due as consideration under the Offer were the provisional calculation referred to above correct, rounded down to the nearest whole New MLIT Share, shall be issued to the persons entitled thereto on the prescribed settlement date in respect of the Offer within seven days after the final determination referred to above has been approved or determined in

accordance with note 9 above and such approval or determination has been notified to MLIT (but not earlier than the prescribed settlement date).

11. Notwithstanding any of the above provisions, in the event that the valuation of any investment or other asset of the Relevant Company in accordance with any of such provisions, or the amount of any deduction made in accordance with sub-paragraphs B (i) to (xi) (inclusive) above, is, in the opinion of the Company Secretary of MLIT and Elysium, incorrect or unfair they may, if they so agree, adopt an alternative method of valuation or deduction, as the case may be.

The number of MLIT Shares to be issued and allotted per Osprey Share pursuant to the Offer will be announced through a Regulatory Information Service as soon as reasonably practicable following the Calculation Date.

PART VI – PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information in this Part VI has been prepared for illustrative purposes only and, because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results.

Set out below is an unaudited pro forma statement of consolidated net assets of the Group, which has been prepared on the basis of the unaudited interim accounts of the Group at 31 January 2009 to provide information on how the Acquisition might have affected the financial information presented on the basis of the accounting policies adopted by the Group in preparing the financial statements at 31 January 2009, as set out in the notes below.

PRO FORMA STATEMENT OF NET ASSETS

Balance Sheet

	<i>MLIT</i>			
	<i>31 January</i>	<i>Adjustment</i>	<i>Adjustment</i>	<i>Pro Forma</i>
	<i>2009</i>	<i>Osprey</i>	<i>Deal Costs</i>	<i>£'000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
	<i>Note (i)</i>	<i>Note (ii)</i>	<i>Note (iii)</i>	<i>Note (iv)</i>
			<i>(a) (b)</i>	
Non-current assets				
Investments held at fair value through profit or loss	34,992	9,859	–	44,851
Current assets				
Trade and other receivables	1,681	22	–	1,703
Cash and cash equivalents	6,973	9,514	(668)	15,819
	8,654	9,536	(668)	17,522
Current liabilities				
Trade and other payables	(212)	(1,147)	–	(1,359)
Net current assets	8,442	8,389	(668)	16,163
Non-current liabilities				
Bank loan	–	(7,483)	–	(7,483)
Net assets	43,434	10,765	(668)	53,531
Equity attributable to equity holders				
Ordinary share capital	3,487	1,055	–	4,542
Share premium	9,921	–	–	9,921
Other reserves	26,038	(922)	–	25,116
Retained earnings	3,988	10,632	(668)	13,952
	43,434	10,765	(668)	53,531

Notes:

The pro forma statement of net assets has been prepared on the following bases:

- (i) The net assets of the Group as at 31 January 2009 has been extracted without adjustment from the most recent unaudited interim statements of the Group.
- (ii) Adjustment has been made to include the net assets of Osprey as at 28 February 2009, the most recent unaudited interim statements.
- (iii)(a) Adjustment has been made to include the costs associated with the deal and also the costs for the termination of contracts for administrative and other services following the completion of the deal.
- (iii)(b) No adjustments have been made to reflect the trading or other transactions of Manchester & London Investment Trust plc since 31 January 2009 and Osprey Smaller Companies Income Fund Limited since 28 February 2009.
- (iv) The pro forma statement of net assets does not constitute financial statements within the meaning of section 240 of the Act.

Your ref

Our ref DRC/LC



Private and Confidential

Manchester & London Investment Trust plc
2nd Floor
Arthur House
Chorlton Street
Manchester
M1 3FH

The Directors
Fairfax I.S. PLC
46 Berkeley Square
Mayfair
London
W1J 5AT

5 May 2009

Dear Sirs,

Manchester & London Investment Trust PLC

We report on the pro forma financial information (the “Pro forma financial information”) set out in Part VI of the Prospectus Equivalent Document dated 5 May 2009, which has been prepared on the basis described in note 1, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by Manchester & London Investment Trust plc in preparing the financial statements for the period ended 31 January 2009. This report is required by Annex II of the Prospectus Rules published from time to time by the Financial Services Authority (the “Prospectus Rules”) and is given for the purpose of complying with the Prospectus Rules and for no other purpose.

Responsibilities

It is the responsibility of the directors of Manchester & London Investment Trust plc to prepare the Pro forma financial information in accordance with item 20.2 of Annex I of the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the PD Regulation; as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Manchester & London Investment Trust plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Manchester & London Investment Trust plc.

Opinion

In our opinion:

- a) the Pro forma financial information has been properly compiled on the basis stated; and
- b) such basis is consistent with the accounting policies of Manchester & London Investment Trust plc.

Declaration

For the purposes of Prospectus Rules we are responsible for the following part (Part VI) of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in Part VI is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex I of the PD Regulation and Annex III of the Prospectus Regulation.

Yours faithfully

CLB Coopers

PART VII – CONDITIONS AND FURTHER TERMS OF THE OFFER

Section A: Conditions to the Offer

The Offer is subject to the following conditions:

- (i) valid acceptances being received (and not, where permitted, withdrawn) by not later than 1.00 p.m. on 26 May 2009 (or such later time(s) and/or date(s) as MLIT may, subject to the rules of the Code, decide) in respect of not less than 50 per cent (or such lesser percentage as MLIT may decide) in nominal value of the Osprey Shares to which the Offer relates, provided that, unless agreed by the Panel, this condition will not be satisfied unless MLIT has acquired or agreed to acquire (pursuant to the Offer or otherwise), directly or indirectly, Osprey Shares carrying, in aggregate, over 50 per cent. of the voting rights then normally exercisable at general meetings of Osprey on such basis as may be required by the Panel (including for this purpose, to the extent (if any) required by the Panel, any voting rights attaching to any shares which are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of conversion or subscription rights or otherwise); and for this purpose (a) the expression “Osprey Shares to which the Offer relates” shall be construed as those shares subject to the Offer but excluding any shares allotted on or after the date of the Offer or any shares that cease to be held in treasury on or after the date of the Offer; (b) shares which have been unconditionally allotted shall be deemed to carry the voting rights which they will carry on issue; and (c) valid acceptances shall be deemed to have been received in respect of Osprey Shares which are treated as having been acquired or contracted to be acquired by MLIT by virtue of acceptances of the Offer;
- (ii) the passing at the General Meeting of MLIT (or at any adjournment thereof) of a resolution to approve: the Acquisition, an increase in MLIT’s authorised share capital and the Directors’ powers of allotment;
- (iii) (a) the UK Listing Authority agreeing to admit the New MLIT Shares to the Official List of the UK Listing Authority and (unless the Panel otherwise agrees) such admission becoming effective in accordance with the Listing Rules of the UK Listing Authority and (b) the London Stock Exchange agreeing to admit the New MLIT Shares to trading on its market for listed securities and (unless the Panel otherwise agrees) such admission becoming effective in accordance with its admission and disclosure standards;
- (iv) no government or governmental, quasi-governmental, supranational, statutory or regulatory body, or any court, institution, investigative body, association, trade agency or professional or environmental body or (without prejudice to the generality of the foregoing) any other person or body in any jurisdiction (each, a “Relevant Authority”) having decided to take, instituted, implemented or threatened any action, proceedings, suit, investigation or enquiry or enacted, made or proposed any statute, regulation or order or otherwise taken any other step or done anything, and there not being outstanding any statute, legislation or order, that would or might reasonably be expected to (in any case to an extent which is material in the context of Osprey or MLIT, as the case may be):
 - (a) directly or indirectly restrict, restrain, prohibit, delay, impose additional conditions or obligations with respect to or otherwise interfere with the implementation of the Offer or the acquisition of any Osprey Shares by MLIT or any matters arising therefrom or require amendment to the terms of the Offer;
 - (b) result in a limit or delay in the ability of MLIT, or render MLIT unable, to acquire some or all of the Osprey Shares;
 - (c) require, prevent, delay or affect the divestiture by MLIT or Osprey of all or any portion of their respective businesses, assets or property or of any Osprey Shares or other securities in Osprey or impose any limitation on the ability of either of them to conduct their respective businesses or own their respective assets or properties or any part thereof;
 - (d) impose any limitation on the ability of MLIT to acquire or hold or exercise effectively, directly or indirectly, all rights of all or any of the Osprey Shares (whether acquired pursuant to the Offer or otherwise) or to exercise voting or management control over MLIT;
 - (e) make the Offer or its implementation or the proposed acquisition of Osprey or of any Osprey Shares or any other shares or securities in, or control of, Osprey, illegal, void or unenforceable in or under the laws of any jurisdiction;

- (f) otherwise adversely affect any or all of the businesses, assets, prospects or profits of MLIT or Osprey or the exercise of rights of shares in Osprey;

and all applicable waiting periods during which such Relevant Authority could institute, implement or threaten any such action, proceedings, suit, investigation, enquiry or reference or otherwise intervene having expired, lapsed or been terminated;

- (v) all authorisations, orders, grants, consents, clearances, licences, permissions and approvals (“Authorisations”), in any jurisdiction, reasonably considered necessary or appropriate by MLIT for or in respect of the Offer, the proposed acquisition of any shares or securities in, or control of, Osprey by MLIT or the carrying on of the business of Osprey or MLIT, the issue of the New MLIT Shares or any matters arising therefrom being obtained in terms reasonably satisfactory to MLIT from all appropriate Relevant Authorities or (without prejudice to the generality of the foregoing) from any persons or bodies with whom Osprey or MLIT has entered into contractual arrangements (in each case where the absence of such Authorisation would have a material adverse effect on MLIT) and such authorisations, orders, grants, consents, clearances, licences, permissions and approvals remaining in full force and effect and there being no intimation of any intention to revoke or not to renew the same and all necessary filings having been made, all appropriate waiting and other time periods (including extensions thereto) under any applicable legislation and regulations in any jurisdiction having expired, lapsed or been terminated and all necessary statutory or regulatory obligations in any jurisdiction in respect of the Offer or the proposed acquisition of Osprey by MLIT or of any Osprey Shares or any matters arising therefrom having been complied with;
- (vi) since 28 February 2009 (being the date to which the last interim report of Osprey was made up) and save as announced publicly and in each case delivered to a Regulatory Information Service or otherwise fairly disclosed in writing to MLIT by or on behalf of Osprey prior to 5 May 2009 (being the date upon which the Offer was announced), Osprey not having:
 - (a) issued or agreed to issue or authorised or proposed the issue of additional shares of any class or issued or authorised or proposed the issue of or granted securities convertible into or rights, warrants or options to subscribe for or acquire such shares or convertible securities or redeemed, purchased or reduced or announced any intention to do so or made any other change to any part of its share capital;
 - (b) recommended, declared, paid or made or proposed to recommend, declare, pay or make any dividend, bonus or other distribution;
 - (c) authorised or proposed or announced any change in its share or loan capital;
 - (d) issued or authorised or proposed the issue of any debentures or (other than by operation of any rate of interest applying to such indebtedness or liability) incurred or increased any indebtedness or liability (actual or contingent) which in any case is material in the context of Osprey;
 - (e) disposed of or transferred, mortgaged or encumbered any asset or any right, title or interest in any asset or entered into or varied any contract, commitment or arrangement (whether in respect of capital expenditure or otherwise) which is of a long term or unusual nature or which involves or could involve an obligation of a nature or magnitude which is material or is otherwise than in the ordinary course of business or could reasonably be regarded as restricting the business of Osprey or MLIT or authorised, proposed or announced any intention to do so;
 - (f) entered into, or varied the terms of, any contract or agreement with any of the directors of Osprey;
 - (g) taken or proposed any corporate action or had any legal proceedings started or threatened against it for its winding-up, dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any of its assets and revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction which in any case is material in the context of Osprey;
 - (h) waived or compromised any claim other than in the ordinary course of business which is material in the context of Osprey;

- (i) made any amendment to its memorandum or articles of association or other incorporation documents;
 - (j) been unable or admitted that it is unable to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;
 - (k) entered into any contract, commitment or agreement or passed any resolutions with respect to any of the transactions, matters or events referred to in this condition (vi);
- (vii) since 28 February 2009 (being the date to which the last interim report of Osprey was made up) and save as announced publicly and in each case delivered to a Regulatory Information Service or otherwise fairly disclosed in writing to MLIT by or on behalf of Osprey prior to 5 May 2009 (being the date upon which the Offer was announced):
- (a) no litigation, arbitration, prosecution or other legal proceedings having been instituted, announced or threatened or become pending or remained outstanding by or against Osprey or to which Osprey is or may become a party (whether as plaintiff, defendant or otherwise) which in any case is material in the context of Osprey;
 - (b) no contingent or other liability of Osprey having arisen or become apparent or increased which in any case is material in the context of Osprey;
 - (c) no adverse change or deterioration having occurred in the business, assets, financial or trading position, profits or prospects of Osprey which in any case is material in the context of Osprey; and
 - (d) no investigation by any Relevant Authority having been threatened, announced, implemented or instituted or remaining outstanding which in any case is material in the context of Osprey; and
- (viii) MLIT not having discovered that:
- (a) any business, financial or other information concerning Osprey publicly disclosed at any time by Osprey, either contains a misrepresentation of fact or omits to state a fact necessary to make the information contained therein not misleading and which was not subsequently corrected before 5 May 2009 by disclosure either publicly or otherwise to MLIT to an extent which in any case is material in the context of Osprey; or
 - (b) Osprey is subject to any liability, actual or contingent, which is not disclosed in the interim report and accounts of Osprey for the six months ended 28 February 2009 which is material in the context of Osprey.

MLIT reserves the right to waive all or any of conditions (iv) to (viii) (inclusive) above, in whole or in part. Conditions (ii) to (viii) above must be fulfilled or waived (where possible) within 21 days after the later of the first closing date of the Offer and the date on which condition (i) is fulfilled (or in each case such later date as the Panel may agree), failing which the Offer will lapse. MLIT shall be under no obligation to waive or treat as satisfied any of conditions (iv) to (viii) (inclusive) by a date earlier than the latest date specified above for the satisfaction thereof notwithstanding that the other conditions of the Offer may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of fulfilment.

If MLIT is required by the Panel to make an offer for Osprey Shares under the provisions of Rule 9 of the Code, MLIT may make such alterations to the conditions as are necessary to comply with the provisions of that Rule.

If the Offer lapses it will cease to be capable of further acceptance. Osprey Shareholders who have accepted the Offer and MLIT shall then cease to be bound by acceptances delivered on or before the date on which the Offer lapses.

Section B: Further Terms of the Offer

The following further terms apply to the Offer, unless the contrary is expressed or the context requires otherwise. Unless the context requires otherwise, any reference in Section B, Section C or Section D of this Part VII and in the Form of Acceptance to:

- (i) the “Offer” includes any revision, variation, renewal or extension of the Offer;
- (ii) the “acceptance condition” means the condition set out in paragraph (i) of Part A of this Part VII;
- (iii) the “Offer becoming unconditional” means the acceptance condition becoming or being declared satisfied whether or not any other condition of the Offer remains to be fulfilled and references to the Offer having become or not become unconditional shall be construed accordingly;
- (iv) “acceptances of the Offer” includes deemed acceptances of the Offer; and
- (v) the “Offer Period” means, in relation the Offer, the period commencing on 5 May 2009 until the latest of:
 - (a) 1.00 p.m. on 26 May 2009;
 - (b) the time and date when the Offer lapses; or
 - (c) the time and date when the Offer becomes unconditional.

1. Acceptance period

- (a) The Offer will initially be open for acceptance until 1.00 p.m. on 26 May 2009. Although no revision is envisaged, if the Offer is revised it will remain open for acceptance for a period of at least 14 days (or such other period as the Panel may permit) from the date on which written notification of the revision is posted to Osprey Shareholders. Except with the Panel’s consent, no revision of the Offer may be made or posted after 20 June 2009 or, if later, the date falling 14 days before the last date the Offer can become unconditional.
- (b) The Offer, whether revised or not, shall not (except with the Panel’s consent) be capable of becoming unconditional after midnight on 4 July 2009 (or any earlier time and/or date beyond which MLIT has stated that the Offer will not be extended unless MLIT has, where permitted, withdrawn that statement or extended the Offer beyond the stated earlier date), nor of being kept open for acceptance after that time and date unless it has previously become unconditional, provided that MLIT reserves the right, with the Panel’s consent, to extend the Offer to a later time(s) and/or date(s). Except with the Panel’s consent, MLIT may not, for the purpose of determining whether the acceptance condition has been satisfied, take into account acceptances received or purchases of Osprey Shares made after 1.00 p.m. on 4 July 2009 (or any earlier time and/or date beyond which MLIT has stated that the Offer will not be extended unless where permitted, it has withdrawn that statement or extended the offer beyond the stated earlier date) or, if the Offer is so extended, any such later time(s) and/or date(s) as may be agreed with the Panel. If the latest time at which the Offer may become unconditional is extended beyond midnight on 4 July 2009, acceptances received and purchases of Osprey Shares made in respect of which relevant documents are received by Computershare Investor Services after 1.00 p.m. on 4 July 2009 may (except where the Code otherwise permits) only be taken into account with the Panel’s agreement.
- (c) If the Offer becomes unconditional, it will remain open for acceptance for not less than 14 days from the date on which it would otherwise have expired. If the Offer has become unconditional and it is stated by or on behalf of MLIT that the Offer will remain open until further notice, or if the Offer will remain open beyond midnight on 4 July 2009, then not less than 14 days’ notice in writing will be given, before closing the Offer, to those Osprey Shareholders who have not accepted the Offer.
- (d) If a competitive situation arises after MLIT has made a “no extension” statement and/or a “no increase” statement in relation to the Offer, MLIT may, if it specifically reserved the right to do so at the time such statement was made, or otherwise with the Panel’s consent, withdraw that statement and extend or revise the Offer (as appropriate) provided that it complies with the requirements of the Code and, in particular, that:

- (i) it announces such withdrawal and that it is free to extend or revise the Offer (as appropriate) as soon as possible (and in any event within four business days of the firm announcement of the competing offer or other competitive situation) and Osprey Shareholders are informed in writing at the earliest practicable opportunity or, in the case of Osprey Shareholders with registered addresses outside the UK or whom MLIT knows to be a nominee, trustee or custodian holding Osprey Shares for such persons, by announcement in the UK; and
- (ii) any Osprey Shareholders who accepted the Offer after the date of the “no extension” or “no increase” statement are given a right of withdrawal in accordance with paragraph 3(c) of this Section B. MLIT may, if it has reserved the right to do so, choose not to be bound by a “no increase” or a “no extension” statement if it would otherwise prevent the posting of an increased or improved offer (either as to the value or nature of the consideration offered or otherwise) which is recommended for acceptance by the Osprey Board or in other circumstances permitted by the Panel.
- (e) For the purpose of determining at any particular time whether the acceptance condition has been satisfied, MLIT shall be entitled to take account only of those Osprey Shares carrying voting rights which have been unconditionally allotted or issued before that time and written notice of allotment or issue of which, containing all the relevant details, has been received before that time by Computershare Investor Services from Osprey or its agents at the address specified in paragraph 3(a) of this Section B. Telex, e-mail or facsimile transmission will not be sufficient.

2. Announcements

- (a) By 8.00 a.m. on the business day (the “relevant day”) following the day on which the Offer is due to expire or becomes unconditional or is revised or extended, as the case may be (or such later time(s) or date(s) as the Panel may agree), MLIT will make an appropriate announcement and simultaneously inform a Regulatory Information Service of the position. The announcement will also state (unless otherwise permitted by the Panel) the total number of Osprey Shares and rights over Osprey Shares (as nearly as practicable):
 - (i) for which acceptances of the Offer have been received;
 - (ii) acquired or agreed to be acquired by or on behalf of MLIT or any person acting in concert with it during the course of the Offer Period;
 - (iii) held by or on behalf of MLIT or any person acting in concert with it before the Offer Period; and
 - (iv) for which acceptances of the Offer have been received from any person acting in concert with MLIT, and will specify the percentage of the Osprey Shares represented by each of these figures.
- (b) Any decision to extend the time and/or date by which the acceptance condition has to be fulfilled may be made at any time up to, and will be announced not later than, 8.00 a.m. on the relevant day (as defined in paragraph 2(a) of this Section B) or such later time(s) and/or date(s) as the Panel may agree. The announcement will state the next expiry date unless the Offer is then unconditional, in which case a statement may instead be made that the Offer will remain open until further notice. In computing the number of Osprey Shares represented by acceptances and/or purchases, there may be included or excluded for announcement purposes acceptances and purchases which are not complete in all respects or which are subject to verification save that those which could not be counted towards fulfilment of the acceptance condition under Notes 4 to 8 of Rule 10 of the Code shall not (unless agreed by the Panel) be included.
- (c) In this Part VII, references to the making of an announcement or the giving of notice by or on behalf of MLIT include the release of an announcement by public relations consultants or by Fairfax to the press and the delivery by hand or telephone or facsimile or other electronic transmission of an announcement to a Regulatory Information Service. An announcement made otherwise than to a Regulatory Information Service shall be notified simultaneously to a Regulatory Information Service (unless otherwise agreed by the Panel).

3. Rights of withdrawal

- (a) If MLIT, having announced the Offer to be unconditional, fails to comply by 3.30 p.m. on the relevant day (as defined in paragraph 2(a) of this Section B) (or such later time(s) and/or date(s) as the Panel may agree) with any of the other requirements specified in paragraph 2(a) of this Section B, an accepting Osprey

Shareholder may (unless the Panel agrees otherwise) immediately thereafter withdraw his acceptance of the Offer by written notice received by hand or by post by Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 3FA. Alternatively, in the case of Osprey Shares in uncertificated form, withdrawals can also be effected in the manner set out in paragraph 3(e) of this Section B. Subject to paragraph 1(b) of this Section B, this right of withdrawal may be terminated not less than eight days after the relevant day by MLIT confirming, if that be the case, that the Offer is still unconditional, and complying with the other requirements specified in paragraph 2(a) of this Section B. If any such confirmation is given, the first period of 14 days referred to in paragraph 1(c) of this Section B will run from the date of such confirmation and compliance.

- (b) If by 1.00 p.m. on 16 June 2009 (or such later time(s) and/or date(s) as the Panel may agree) the Offer has not become unconditional, an accepting Osprey Shareholder may withdraw his acceptance at any time thereafter by written notice in the manner referred to in paragraph 3(a) of this Section B (or, in the case of Osprey Shares held in uncertificated form, in the manner set out in paragraph 3(e) of this Section B) before the earlier of (i) the time when the Offer becomes unconditional, and (ii) the final time for lodgement of acceptances of the Offer which can be taken into account in accordance with paragraph 1(b) of this Section B.
- (c) If a “no extension” statement and/or a “no increase” statement has been withdrawn in accordance with paragraph 1(d) of this Section B, any Osprey Shareholder who accepted the Offer after the date of the statement may withdraw his acceptance in the manner referred to in paragraph 3(a) of this Section B (or, in the case of Osprey Shares held in uncertificated form, in the manner set out in paragraph 3(e) of this Section B), not later than the eighth day after the date on which written notice of withdrawal of the statement is posted to Osprey Shareholders.
- (d) Except as provided by this paragraph 3, acceptances under the Offer shall be irrevocable. In this paragraph 3, “written notice” (including any letter of appointment, direction or authority) means notice in writing bearing the original signature(s) of the relevant accepting Osprey Shareholder(s) or his/their agent(s) duly appointed in writing (evidence of whose appointment is produced with the notice in a form reasonably satisfactory to MLIT). E-mail or facsimile transmissions or copies will not be sufficient to constitute written notice. No notice which is postmarked in, or otherwise appears to MLIT or its agents to have been sent from, a Restricted Jurisdiction will be treated as valid.
- (e) In the case of Osprey Shares held in uncertificated form, if withdrawals are permitted pursuant to paragraph 3(a), 3(b) or 3(c) of this Section B, an accepting Osprey Shareholder may withdraw his acceptance through CREST by sending (or, if a CREST sponsored member, procuring that his CREST sponsor sends) an ESA Instruction to settle in CREST in relation to each Electronic Acceptance to be withdrawn. Each ESA Instruction must, in order for it to be valid and settle, include the following details:
 - (i) the number of Osprey Shares to be withdrawn, together with their ISIN number which is GB0031797698;
 - (ii) the member account ID of the accepting shareholder, together with his participant ID;
 - (iii) the member account ID of the Escrow Agent (MANOSP01) included in the relevant Electronic Acceptance, together with the Escrow Agent’s participant ID (RA64);
 - (iv) the transaction reference number of the Electronic Acceptance to be withdrawn;
 - (v) the intended settlement date for the withdrawal;
 - (vi) the corporate action number for the Offer; and
 - (vii) input with standard delivery instruction priority of 80.

Any such withdrawal will be conditional upon Computershare Investor Services verifying that the withdrawal request is validly made. Accordingly, Computershare Investor Services will on behalf of MLIT reject the withdrawal by transmitting in CREST a receiving agent reject (AEAD) message or accept the withdrawal by transmitting in CREST a receiving agent accept (AEAN) message.

4. Revised offer

- (a) No revision of the Offer is envisaged. However, if the Offer (in its original or any previously revised form(s)) is revised (either in its terms and conditions or in the value or nature of the consideration offered or otherwise) and such revision represents on the date on which it is announced (on such basis as Fairfax may consider appropriate) an improvement or no diminution in the value of the revised Offer compared with the consideration or terms previously offered or in the overall value received and/or retained by an Osprey Shareholder (under the Offer or otherwise), the benefit of the revised Offer will, subject to paragraphs 4(c), 4(d) and 7 of this Section B, be made available to any Osprey Shareholder who has accepted the Offer in its original or any previously revised form(s) (a “previous acceptor”). The acceptance of the Offer by or on behalf of a previous acceptor in its original or any previously revised form(s) shall, subject as provided in paragraphs 4(c), 4(d) and 7 of this Section B, be treated as an acceptance of the Offer as so revised and shall also constitute the separate appointment of MLIT and each of the Directors and Fairfax and each of its directors as his attorney and/or agent with authority (i) to accept any such revised offer on behalf of such previous acceptor, (ii) if such revised offer includes alternative forms of consideration, to make such elections for and/or accept such alternative forms of consideration in the proportions such attorney and/or agent in his absolute discretion thinks fit, and (iii) to execute on behalf of and in the name of such previous acceptor all such further documents (if any) as may be required to give effect to such acceptances and/or elections. In making any such election and/or acceptance, such attorney and/or agent shall take into account the nature of any previous acceptances made by or on behalf of the previous acceptor and such other facts or matters as he may reasonably consider relevant.
- (b) Subject to paragraphs 3(c) and 4(d) of this Section B, the powers of attorney and authorities conferred by this paragraph 4 and any acceptance of a revised Offer and/or any election(s) pursuant thereto shall be irrevocable unless and until the previous acceptor becomes entitled to withdraw his acceptance under paragraph 3 of this Section B and duly and validly does so.
- (c) The deemed acceptance referred to in paragraph 4(a) of this Section B shall not apply, and the authorities conferred by that paragraph shall not be exercised, to the extent that a previous acceptor:
- (i) in respect of Osprey Shares in certificated form, lodges with Computershare Investor Services, within 14 days of the posting of the document containing the revised Offer, a Form of Acceptance in which he validly elects to receive the consideration receivable by him under such revised Offer in some other manner than that set out in his original or any previous acceptance; or
 - (ii) in respect of Osprey Shares in uncertificated form, sends (or, if a CREST sponsored member, procures that his CREST sponsor sends) an ESA Instruction to settle in CREST in relation to each Electronic Acceptance in respect of which an election is to be varied. Each ESA Instruction must, in order for it to be valid and settle, include the following details:
 - (A) the number of Osprey Shares in respect of which the changed election is made, together with their ISIN number which is GB0031797698;
 - (B) the member account ID of the previous acceptor, together with his participant ID;
 - (C) the member account ID of the Escrow Agent which is MANOSP01 included in the relevant Electronic Acceptance, together with the Escrow Agent’s participant ID which is RA64;
 - (D) the transaction reference number of the Electronic Acceptance in respect of which the election is to be changed;
 - (E) the intended settlement date for the changed election;
 - (F) the corporate action number for the Offer;
 - (G) and, in order that the desired change of election can be effected, must include the member account ID of the Escrow Agent relevant to the new election.

Any such change of election will be conditional upon Computershare Investor Services verifying that the request is validly made. Accordingly Computershare Investor Services will on behalf of MLIT reject or accept the requested change of election by transmitting in CREST a receiving agent reject (AEAD) message or a receiving agent accept (AEAN) message as appropriate.

- (d) The deemed acceptance referred to in paragraph 4(a) of this Section B shall not apply, and the authorities conferred by that paragraph shall not be exercised, if as a result thereof, the previous acceptor would (on such basis as MLIT may consider appropriate) thereby receive less in aggregate in consideration under the revised Offer than he would have received in aggregate as a result of acceptance of the Offer in the form in which it was previously accepted by him or on his behalf. The authorities conferred by paragraph 4(a) of this Section B shall not be exercised in respect of any election available under the revised Offer save in accordance with this paragraph.
- (e) Subject to paragraphs 4(c) and (d) of this Section B, MLIT reserves the right to treat an executed Form of Acceptance or TTE Instruction (in respect of the Offer in its original or any previously revised form(s)) which is received (or dated) on or after the announcement of any revised Offer as a valid acceptance of the revised Offer and/or, where applicable, a valid election for or acceptance of any of the alternative forms of consideration. Such acceptances shall constitute an authority in the terms of paragraph 4(a) of this Section B, mutatis mutandis, on behalf of the relevant Osprey Shareholder.

5. Acceptances and Purchases

Except as otherwise agreed by the Panel:

- (a) an acceptance of the Offer shall not be treated as valid for the purposes of the acceptance condition unless the requirements of Note 4 and, if applicable, Note 6 of Rule 10 of the Code are satisfied in respect of it;
- (b) a purchase of Osprey Shares by MLIT or its nominee(s) or, in the case of a Rule 9 offer, any person acting in concert with MLIT or its nominee will only be treated as valid for the purposes of the acceptance condition if the requirements of Note 5 and, if applicable, Note 6 of Rule 10 of the Code are satisfied in respect of it; and
- (c) before the Offer may become unconditional, Computershare Investor Services must have issued a certificate to MLIT which states the number of Osprey Shares in respect of which acceptances have been received and which comply with paragraph 5(a) of this Section B, and the number of Osprey Shares otherwise acquired, whether before or during the Offer Period, which comply with paragraph 5(b) of this Section B. Copies of the certificate will be sent to the Panel and to the financial advisers of Osprey as soon as possible after issue.

6. General

- (a) Except with the Panel's consent, the Offer will lapse unless all of the conditions have been satisfied or (if capable of waiver) waived or, where appropriate, have been determined by MLIT in its reasonable opinion to be or remain satisfied in each case by midnight on 4 July 2009 or by midnight on the date which is 21 days after the date on which the Offer becomes unconditional, whichever is the later, or such later date(s) as MLIT may, with the Panel's consent, decide. If the Offer lapses for any reason, then it shall cease to be capable of further acceptance and MLIT and Osprey Shareholders shall cease to be bound by prior acceptances.
- (b) Except with the Panel's consent, settlement of the consideration to which any Osprey Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which MLIT may otherwise be, or claim to be, entitled as against such Osprey Shareholder and will be effected in the manner described in the Offer Document.
- (c) The Offer is made on 5 May 2009 and is capable of acceptance from that date. Copies of the Offer Document, the Form of Acceptance and any related documents are available from Computershare Investor Services, at the address set out in paragraph 3(a) of this Section B.
- (d) The terms, provisions, instructions and authorities contained in or deemed to be incorporated in the Form of Acceptance constitute part of the terms of the Offer. Words and expressions defined in the Offer Document have the same meanings when used in the Form of Acceptance, unless the context otherwise requires.
- (e) (i) The Offer, all acceptances of it and all elections pursuant to it, the Form of Acceptance, all contracts made pursuant to the Offer, all action taken or made or deemed to be taken or made pursuant to any of these terms and the relationship between an Osprey Shareholder and MLIT, Fairfax or Computershare Investor Services shall be governed by and interpreted in accordance with English law.

- (ii) Execution of a Form of Acceptance by or on behalf of an Osprey Shareholder will constitute his agreement that the Courts of England are (subject to paragraph 6(e)(iii) of this Section B) to have exclusive jurisdiction to settle any dispute which may arise in connection with the creation, validity, effect, interpretation or performance of, or the legal relationships established by the Offer and the Form of Acceptance or otherwise arising in connection with the Offer and the Form of Acceptance, and for such purposes that he irrevocably submits to the jurisdiction of the English Courts.
- (iii) Execution of a Form of Acceptance by or on behalf of an accepting Osprey Shareholder will constitute his agreement that the agreement in paragraph 6(e)(ii) of this Section B is included for the benefit of MLIT, Fairfax and Computershare Investor Services and accordingly, notwithstanding the exclusive agreement in paragraph 6(e)(ii) of this Section B, MLIT, Fairfax and Computershare Investor Services shall each retain the right to, and may in its absolute discretion, bring proceedings in the courts of any other country which may have jurisdiction and that the accepting Osprey Shareholder irrevocably submits to the jurisdiction of the courts of any such country.
- (f) If the expiry date of the Offer is extended, any reference in this document and in the Form of Acceptance to 26 May 2009 shall, except in the definition of "Offer Period" and paragraph 1(a) of this Section B and where the context otherwise requires, be deemed to refer to the expiry date of the Offer as so extended.
- (g) Any omission to despatch the Offer Document or the Form of Acceptance or any notice required to be despatched under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made, or should be made, shall not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person. Subject to paragraph 7 of this Section B, the Offer extends to any such person and to all Osprey Shareholders to whom the Offer Document, the Form of Acceptance and any related documents may not be despatched and who may not receive such documents, and such persons may collect copies of those documents from Computershare Investor Services at the address set out in paragraph 3(a) of this Section B.
- (h) If the Offer lapses:
 - (i) in respect of Osprey Shares held in certificated form, Forms of Acceptance, share certificates and/or other documents of title will be returned by post (or by such other method as the Panel may approve) within 14 days of the Offer lapsing, at the risk of the Osprey Shareholder concerned, to the person or agent whose name and address is set out in the relevant Box of the Form of Acceptance or, if none is set out, to the first-named holder at his registered address (no such documents will be sent to an address in a Restricted Jurisdiction); and
 - (ii) in respect of Osprey Shares held in uncertificated form, Computershare Investor Services will, as soon as is reasonably practicable after the Offer lapses (or within such longer period as the Panel may permit), give TFE Instructions to Euroclear to transfer all Osprey Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Offer to the original available balances of the Osprey Shareholders concerned.
- (i) All powers of attorney, appointments as agent and authorities on the terms conferred by or referred to in this Part VII or in the Form of Acceptance are given by way of security for the performance of the obligations of the Osprey Shareholder concerned and are irrevocable (in respect of powers of attorney in accordance with section 4 of the Powers of Attorney Act 1971 except in the circumstances where the donor of such power of attorney, appointment or authority is entitled to withdraw his acceptance in accordance with paragraph 3 of this Section B and duly does so.
- (j) Without prejudice to any other provisions of this Section B, MLIT reserves the right to treat acceptances of the Offer as valid if received by or on behalf of either of them at any place or places or in any manner determined by either of them or otherwise than as set out in the Offer Document or, in respect of Osprey Shares held in certificated form, in the Form of Acceptance.
- (k) All communications, notices, certificates, documents of title and remittances to be delivered by or sent to or from any Osprey Shareholders will be delivered by or sent to or from them (or their designated agents) at their risk. No acknowledgement of receipt of any Form of Acceptance, transfer by means of CREST, communication, notice, share certificate(s) and/or other document(s) of title will be given by or on behalf of MLIT.

- (l) MLIT reserves the right to notify any matter (including the making of the Offer) to all or any Osprey Shareholder(s) with (i) registered addresses outside the UK or (ii) whom MLIT knows to be nominees, trustees or custodians for such Osprey Shareholder(s) with registered addresses outside the UK by announcement or paid advertisement in any daily newspaper published and circulated in the UK or any part thereof, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such shareholders to receive or see such notice. All references in this document to notice in writing (other than in paragraph 3 of this Section B) shall be construed accordingly.
- (m) If sufficient acceptances are received and/or sufficient Osprey Shares are otherwise acquired, MLIT intends to apply the provisions of Part XVIII of the Law to acquire compulsorily any outstanding Osprey Shares.
- (n) MLIT intends, after it announces that all of the conditions to the Offer have been satisfied or (if capable of waiver) waived, to procure the making of an application by Osprey to the London Stock Exchange for the cancellation of admission to trading on its main market for listed securities of the Osprey Shares and to the Channel Islands Stock Exchange for the cancellation of admission to trading on the Channel Islands Stock Exchange. It is anticipated that should such an application be made the cancellation will take effect either: (i) no earlier than 20 business days after MLIT announces that all conditions to the Offer have been satisfied or (if capable of waiver) waived in the event that less than 75 per cent. valid acceptances are received pursuant to the Offer and provided Osprey Shareholders approve the cancellation in general meeting or (ii) on admission of the New MLIT Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities should valid acceptances be received pursuant to the Offer of 75 per cent. or more.
- (o) Execution of a Form of Acceptance will constitute an instruction to MLIT that, on the Offer becoming unconditional in all respects, all mandates and other instructions or notices recorded in Osprey's records immediately prior to the Offer becoming so unconditional in relation to Osprey Shares will, unless and until revoked or varied, continue in full force, mutatis mutandis, in relation to the New MLIT Shares allotted or issued to Osprey Shareholders pursuant to the Offer.
- (p) If the Panel requires MLIT to make an offer for Osprey Shares under the provisions of Rule 9 of the Code, MLIT may make such alterations to the conditions of the Offer as are necessary to comply with the provisions of that Rule.
- (q) All references in this Part VII to any statute or statutory provision shall include a statute or statutory provision which amends, consolidates or replaces the same (whether before or after the date of this document).
- (r) In relation to any acceptance of the Offer in respect of a holding of Osprey Shares which are in uncertificated form, MLIT reserves the right to make such alterations, additions or modifications as may be necessary or desirable to give effect to any purported acceptance of the Offer, whether in order to comply with the facilities or requirements of CREST or otherwise, provided such alterations, additions or modifications are consistent with the requirements of the Code or are otherwise made with the Panel's consent.
- (s) For the purposes of this document, the time of receipt of a TTE Instruction, an ESA Instruction or an Electronic Acceptance shall be the time at which the relevant instruction settles in CREST.

7. Overseas shareholders

- (a) The making of the Offer in, or to persons resident in, or to nationals or citizens of, jurisdictions outside the UK or to nominees of, or custodians or trustees for, citizens or nationals of other countries ("overseas shareholders") may be affected by the laws of the relevant jurisdictions. Such overseas shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any overseas shareholder wishing to accept the Offer to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, including obtaining any governmental, exchange control or other consents which may be required, or compliance with other necessary formalities needing to be observed and payment of any issue, transfer or other taxes or duties due in such jurisdiction. Any such overseas shareholder will be responsible for any such issue, transfer or other taxes or other payments by whomsoever payable and MLIT (and any person acting on behalf of them) shall be fully indemnified and held harmless by such shareholder for any such issue, transfer or other taxes or duties as MLIT (and any person acting on behalf of them) may be required to pay.

If you are an overseas shareholder and you are in doubt about your position, you should consult your independent professional adviser in the relevant jurisdiction.

- (b) In particular the Offer is not being made in or into and is not capable of acceptance in or from a Restricted Jurisdiction. In addition, it is not currently intended that the Offer will be made, directly or indirectly, in or into or by use of the mails or any means or instrumentality (including, without limitation, by means of facsimile or electronic transmission, telephone or internet) of interstate or foreign commerce of, or any facilities of a securities exchange of, or in or into, the United States. Accordingly, copies of the Offer Document, the Form of Acceptance and any related offering documents are not being, and must not be, mailed or otherwise distributed or sent in or into the United States.

Persons receiving such documents (including without limitation, custodians, trustees and nominees) must not mail, forward, or distribute or send them, directly or indirectly, in, into or from a Restricted Jurisdiction or use a Restricted Jurisdiction's mail or any such means or instrumentality or facility for any purpose, directly or indirectly, in connection with the Offer. Doing so may invalidate any purported acceptance of the Offer. Persons wishing to accept the Offer must not use such mails or any such means or instrumentality or facility directly or indirectly for any purpose directly or indirectly related to acceptance of the Offer.

Envelopes containing a Form of Acceptance should not be postmarked in a Restricted Jurisdiction or otherwise despatched from a Restricted Jurisdiction and all accepting Osprey shareholders must provide addresses outside a Restricted Jurisdiction for the receipt of certificates for the New MLIT Shares, or for the return of the Form of Acceptance, share certificates and/or other document(s) of title.

- (c) The New MLIT Shares have not been and will not be registered under the US Securities Act, or any state securities laws, nor have relevant clearances been obtained from the securities commission or similar authority of any province or territory in Canada and no prospectus has been filed or registration made under any securities laws of any province or territory of Canada, nor has a prospectus in relation to the New MLIT Shares been lodged with or registered by the Australian Securities Commission, nor have any steps been taken to enable the New MLIT Shares to be offered in compliance with applicable securities laws of the Republic of South Africa or Japan. The New MLIT Shares may not be offered, sold, resold, delivered or transferred, directly or indirectly, in or into the United States or to, or for the account or benefit of, US persons, or in or into Canada, Australia, the Republic of South Africa or Japan.
- (d) An Osprey Shareholder will be deemed not to have validly accepted the Offer if:
- (i) he puts "NO" in Box 4 of the Form of Acceptance and thereby does not give the representations and warranties set out in paragraph (b) of Section C of this Part VII;
 - (ii) having had inserted in or having completed Box 1 of the Form of Acceptance with a registered address in a Restricted Jurisdiction, he does not insert in Box 5 of the Form of Acceptance the name and address of a person or agent outside a Restricted Jurisdiction to whom he wishes the consideration to which he is entitled under the Offer and/or any documents to be sent;
 - (iii) he inserts in Box 5 of the Form of Acceptance the name and address of a person or agent in a Restricted Jurisdiction to whom he wishes the consideration to which he is entitled under the Offer and/or any documents to be sent; or
 - (iv) in any case, the Form of Acceptance received from him is received in an envelope postmarked in, or which otherwise appears to MLIT or its agent to have been sent from, a Restricted Jurisdiction; or
 - (v) he makes a Restricted Escrow Transfer pursuant to paragraph 7(h) below unless he also makes a related Restricted ESA Instruction which is accepted by Computershare Investor Services.

MLIT reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in paragraph (b) of Section C or (as the case may be) Section D of this Part VII could have been truthfully given by the relevant Osprey Shareholder and, if such investigation is made and, as a result, MLIT cannot satisfy itself that such representation and warranty was true and correct, the acceptance shall not be valid. MLIT will not issue New MLIT Shares or authorise the delivery of any documents of title in respect of New MLIT Shares in, into or from a Restricted Jurisdiction or to

any person (i) who is, or who MLIT has reason to believe is, a US person or resident in Canada, Australia, the Republic of South Africa or Japan or (ii) who is unable or fails to give the representations and warranties set out in paragraph (b) of Section C or (as the case may be) Section D of this Part VII or (iii) with a registered address in a Restricted Jurisdiction.

- (e) If, in connection with the making of the Offer, notwithstanding the restrictions described above, any person (including, without limitation, custodians, nominees and trustees), whether pursuant to a contractual or legal obligation or otherwise, forwards the Offer Document, the Form of Acceptance or any related offering documents, in, into or from a Restricted Jurisdiction or uses the mails of, or any means or instrumentality (including without limitation, facsimile or electronic transmission, telephone or internet) of interstate or foreign commerce of, or any facility of a national securities exchange of, a Restricted Jurisdiction in connection with such forwarding, such person should:
- (i) inform the recipient of such fact;
 - (ii) explain to the recipient that such action may invalidate any purported acceptance by the recipient; and
 - (iii) draw the attention of the recipient to this paragraph 7.
- (f) If any written notice from an Osprey Shareholder withdrawing his acceptance in accordance with paragraph 3 of Section B of this Part VII is received in an envelope postmarked in, or which otherwise appears to MLIT or its agents to have been sent from, a Restricted Jurisdiction, MLIT reserves the right in its absolute discretion to treat that notice as invalid.

Any acceptance of the Offer by Osprey Shareholders who are unable to give the representations and warranties set out in paragraph (b) of Section C or (as the case may be) Section D of this Part VII is liable to be disregarded.

- (g) These provisions and any other terms of the Offer relating to overseas shareholders may be waived, varied or modified as regards specific Osprey Shareholders or on a general basis by MLIT in its absolute discretion. Subject thereto, the provisions of this paragraph 7 supersede any terms of the Offer inconsistent with them. References in this paragraph 7 to an Osprey Shareholder include references to the person or persons executing a Form of Acceptance and, if apply to them jointly and severally.
- (h) If an Osprey Shareholder holding Osprey Shares in uncertificated form cannot give the warranty set out in (b) of Section D of this Part VII, but nevertheless can provide evidence satisfactory to MLIT that he can accept the Offer in compliance with all relevant legal and regulatory requirements, he may only purport to accept the Offer by sending (or if a CREST sponsored member, procuring that his CREST sponsor sends) both (i) a Transfer to Escrow instruction to a designated escrow balance detailed below (a “Restricted Escrow Transfer”) and (ii) one or more valid ESA Instructions (a “Restricted ESA Instruction”). Such purported acceptance will not be treated as a valid acceptance unless both the Restricted Escrow Transfer and the Restricted ESA Instruction(s) settle in CREST and MLIT decides, in its absolute discretion, to exercise its right described in paragraph 7(g) of Section B of this Part VII to waive, vary or modify the terms of the Offer relating to overseas shareholders, to the extent required to permit such acceptance to be made, in each case during the acceptance period set out in paragraph 1(a) of Section B of this Part VII. If MLIT accordingly decides to permit such acceptance to be made, Computershare Investor Services will on behalf of MLIT accept the purported acceptance as an Electronic Acceptance on the terms of the Offer Document (as so waived, varied or modified) by transmitting in CREST a receiving agent accept (AEAN) message. Otherwise, Computershare Investor Services will on behalf of MLIT reject the purported acceptance by transmitting in CREST a receiving agent reject (AEAD) message. Each Restricted Escrow Transfer must, in order for it to be valid and settle, include the following details:
- (i) the corporate action ISIN number for the Osprey Shares which is GB0031797698;
 - (ii) the number of Osprey Shares in respect of which the Offer is to be accepted;
 - (iii) the member account ID and participant ID of the Osprey Shareholder;
 - (iv) the participant ID of the Escrow Agent (this is RA64) and its member account ID specific to a Restricted Escrow Transfer (this is MANOSP02);

- (v) the intended settlement date;
- (vi) the corporate action number for the Offer; and
- (vii) input with standard delivery instruction priority of 80.

Each Restricted ESA Instruction must, in order for it to be valid and settle, include the following details:

- (i) the corporate action ISIN number for the Osprey Shares which is GB0031797698;
- (ii) the number of Osprey Shares relevant to that Restricted ESA Instruction;
- (iii) the member account ID and participant ID of the accepting Osprey Shareholder;
- (iv) the member account ID and participant ID of the Escrow Agent (this is RA64) set out in the Restricted Escrow Transfer (this is MANOSP01);
- (v) the transaction reference number of the Restricted Escrow Transfer to which the Restricted ESA Instruction relates;
- (vi) the intended settlement date;
- (vii) the corporate action number for the Offer; and
- (viii) input with standard delivery instruction priority 80.

Section C: Form of Acceptance

Each Osprey Shareholder by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with MLIT and Computershare Investor Services (so as to bind him, his personal representatives, heirs, successors and assigns) to the following effect:

- (a) that the execution of the Form of Acceptance, whether or not any boxes are completed, shall constitute an acceptance of the Offer in respect of the number of Osprey Shares in certificated form inserted or deemed to be inserted in Box 2 of the Form of Acceptance on and subject to the terms and conditions set out or referred to in the Offer Document and in the Form of Acceptance and that, subject only to the rights of withdrawal set out or referred to in paragraph 3 of Section B of this Part VII, each such acceptance shall be irrevocable;
- (b) unless "NO" is put in Box 4 of the Form of Acceptance, that such Osprey Shareholder:
 - (i) has not received or sent copies or originals of the Offer Document, the Form of Acceptance or any related offering documents in, into or from a Restricted Jurisdiction, has not utilised in connection with the Offer, directly or indirectly, the mails of or any means of instrumentality (including, without limitation, by means of facsimile or electronic transmission, telephone or internet) of interstate or foreign commerce of, or any facilities of a securities exchange of, a Restricted Jurisdiction, was outside a Restricted Jurisdiction when the Form of Acceptance was delivered and at the time of accepting the Offer, and is not an agent or fiduciary acting on a non-discretionary basis for a principal, unless such agent or fiduciary is an authorised employee of such principal or such principal has given all instructions with respect to the Offer from outside a Restricted Jurisdiction;
 - (ii) is not acquiring and will not hold any New MLIT Shares for the account or benefit of a US person or with a view to or for the purposes of the offer, sale or delivery, directly or indirectly, of any New MLIT Shares in or into a Restricted Jurisdiction;
 - (iii) the Form of Acceptance has not been mailed or otherwise sent in, into or from a Restricted Jurisdiction or signed in any of those jurisdictions and such shareholder is accepting the Offer from outside a Restricted Jurisdiction; and
 - (iv) (if such Osprey Shareholder is a citizen, resident or national of a jurisdiction outside the United Kingdom) has observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all requisite governmental, exchange control or other consents, complied with all necessary formalities and paid any issue, transfer or other taxes or duties or other payments due in such jurisdiction in connection with his acceptance of the Offer and that such

acceptance will not result in MLIT or the Directors, officers, agents or employees acting in breach of any legal or regulatory requirements in such jurisdiction;

- (c) that the execution of the Form of Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to an accepting Osprey Shareholder not having validly withdrawn his acceptance, the irrevocable appointment of MLIT as such shareholder's attorney and/or agent (the attorney) and an irrevocable instruction and authorisation to the attorney:
 - (i) to complete and execute outside the United Kingdom all or any form(s) of transfer and/or other document(s) at the discretion of the attorney in relation to the Osprey Shares referred to in paragraph (a) of this Section C in favour of MLIT or such other person or persons as MLIT or its agents may direct;
 - (ii) to deliver such form(s) of transfer and/or other document(s) in the attorney's discretion and/or the certificate(s) and/or other document(s) of title relating to such Osprey Shares for registration within 6 months of the Offer becoming unconditional in all respects; and (iii) to do all such other acts and things as may in the attorney's opinion be necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer pursuant to the Form of Acceptance and to vest the Osprey Shares referred to in paragraph (a) of this Section C in MLIT or its nominee;
- (d) that, in relation to Osprey Shares in certificated form, the execution of the Form of Acceptance constitutes, subject to the Offer becoming unconditional in all respects and to an accepting Osprey Shareholder not having validly withdrawn his acceptance, an irrevocable authority and request:
 - (i) to Osprey or its agents to procure the registration of the transfer of those Osprey Shares pursuant to the Offer and the delivery of the share certificate(s) and/or other document(s) of title in respect of the Osprey Shares to MLIT or as it may direct;
 - (ii) subject to the provisions of paragraph 7 of Section B of this Part VII, to MLIT and its agents to procure that such Osprey Shareholder's name is entered on the register of members of MLIT in respect of any New MLIT Shares to which he becomes entitled pursuant to the Offer and to procure the issue of a definitive certificate for such New MLIT Shares;
 - (iii) to MLIT and its agents to procure the despatch by post (or by such other method as the Panel may approve) of document(s) of title for any New MLIT Share(s) to which an accepting Osprey Shareholder is entitled, at the risk of such shareholder, to the person or agent whose name and address outside a Restricted Jurisdiction is set out in Box 1 of the Form of Acceptance, or if no name and address is set out in Box 1, to the first named holder at his registered address outside a Restricted Jurisdiction;
- (e) that the execution of the Form of Acceptance and its delivery constitutes a separate authority to MLIT and/or the Directors within the terms of paragraph 4 of Section B of this Part VII in respect of the Osprey Shares in certificated form referred to in paragraph (a) of this Section C;
- (f) that, subject to the Offer becoming or being declared unconditional in all respects (or if the Offer will become unconditional in all respects or lapse immediately upon the outcome of the resolution in question or if the Panel consents) and pending registration:
 - (i) MLIT or its agents shall be entitled to direct the exercise of any votes and any or all other rights and privileges (including the right to requisition the convening of a general meeting of Osprey or of any class of its shareholders) attaching to any Osprey Shares in certificated form in respect of which the Offer has been accepted or is deemed to have been accepted and not validly withdrawn; and
 - (ii) the execution of a Form of Acceptance in respect of the Osprey Shares comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn:
 - (A) constitutes an authority to Osprey from such Osprey Shareholder to send any notice, circular, warrant, document or other communication which may be required to be sent to him/her as a member of Osprey to MLIT at its registered office;

- (B) constitutes an authority to MLIT or any MLIT Director to sign any consent to short notice of a general or separate class meeting as his attorney and/or agent and on his behalf and/or to attend and/or execute a form of proxy in respect of such Osprey Shares appointing any person nominated by MLIT to attend general and separate class meetings of Osprey (and any adjournments thereof) and to exercise the votes attaching to such shares on his behalf, where relevant, such votes to be cast so far as possible to satisfy any outstanding condition of the Offer; and
 - (C) will also constitute the agreement of such Osprey Shareholder not to exercise any of such rights without the consent of MLIT and the irrevocable undertaking of such Osprey Shareholder not to appoint a proxy to attend any such general meeting or separate class meeting;
- (g) that he will deliver or procure the delivery to Computershare Investor Services at the address referred to in paragraph 3(a) of Section B of this Part VII of his share certificate(s) or other document(s) of title in respect of all Osprey Shares in certificated form held by him in respect of which the Offer has been accepted or is deemed to have been accepted and not validly withdrawn, or an indemnity acceptable to MLIT in lieu thereof, as soon as possible and in any event within 6 months of the Offer becoming unconditional in all respects;
 - (h) that he is the sole legal and beneficial owner of the Osprey Shares in certificated form in respect of which the Offer is accepted or deemed to be accepted or he is the legal owner of such Osprey Shares and he has the necessary capacity and authority to execute the Form of Acceptance;
 - (i) that the Osprey Shares in certificated form in respect of which the Offer is accepted or deemed to be accepted are sold fully paid up and free from all liens, equities, charges, encumbrances and other third party rights and/or interests and together with all rights now or hereafter attaching thereto, including voting rights and the right to receive and retain all dividends, interests and other distributions (if any) declared, made or paid after 5 May 2009;
 - (j) that the terms and conditions of the Offer contained in the Offer Document shall be deemed to be incorporated in, and form part of, the Form of Acceptance which shall be read and construed accordingly;
 - (k) that he will do all such acts and things as shall be necessary or expedient to vest the Osprey Shares referred to in paragraph (a) of this Section C in MLIT or its nominee(s) or such other persons as it may decide;
 - (l) that he agrees to ratify each and every act or thing which may be done or effected by MLIT or Computershare Investor Services or any MLIT Director or any director of Computershare Investor Services or their respective agents or Osprey or its agents, as the case may be, in the exercise of any of his powers and/or authorities under the Offer Document;
 - (m) that the execution of the Form of Acceptance constitutes his agreement to the terms of paragraphs 6(e)(i), (ii) and (iii) of Section B of this Part VII;
 - (n) that on execution the Form of Acceptance shall take effect as a deed; and
 - (o) that if any provision of Section B or Section C of this Part VII shall be unenforceable or invalid or shall not operate so as to afford MLIT or Computershare Investor Services or any director of any of them the benefit or authority expressed to be given therein, he shall with all practicable speed do all such acts and things and execute all such documents as may be required to enable MLIT and/or Computershare Investor Services and/or any director of any of them to secure the full benefits of Section B and this Section C.

References in this Section C to an Osprey Shareholder shall include references to the person or persons executing a Form of Acceptance, and if more than one person executes a Form of Acceptance, the provisions of this Section C shall apply to them jointly and severally.

Section D: Electronic Acceptance

Each Osprey Shareholder by whom, or on whose behalf, an Electronic Acceptance is made irrevocably undertakes, represents, warrants and agrees to and with MLIT and Computershare Investor Services (so as to bind him, his personal representatives, heirs, successors and assigns) to the following effect:

- (a) that the Electronic Acceptance shall constitute an acceptance of the Offer in respect of the number of Osprey Shares in uncertificated form to which the relevant TTE Instruction relates on and subject to the terms and conditions set out or referred to in this document and that, subject only to the rights of withdrawal set out or referred to in paragraph 3 of Section B of this Part VII, each such acceptance shall be irrevocable;
- (b)
 - (i) that such Osprey Shareholder has not received or sent copies or originals of the Offer Document, the Form of Acceptance or any related offering documents, in, into or from a Restricted Jurisdiction, has not utilised in connection with the Offer, directly or indirectly, the mails of or any means of instrumentality (including, without limitation, by means of facsimile or electronic transmission, telephone or internet) of interstate or foreign commerce of, or any facilities of a securities exchange of, a Restricted Jurisdiction, was outside the United States at the time of the input and settlement of the relevant TTE Instruction(s), and in respect of the Osprey Shares to which an Electronic Acceptance relates, is not an agent or fiduciary acting on a non-discretionary basis for a principal, unless such agent or fiduciary is an authorised employee of such principal or such principal has given all instructions with respect to the Offer from outside a Restricted Jurisdiction;
 - (ii) is not acquiring and will not hold any New MLIT Shares for the account or benefit of a US person or with a view to or for the purposes of the offer, sale or delivery, directly or indirectly, of any New MLIT Shares in or into a Restricted Jurisdiction; and
 - (iii) that no TTE Instruction has been sent from a Restricted Jurisdiction and such Osprey Shareholder is accepting the Offer from outside a Restricted Jurisdiction;
- (c) that the Electronic Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to an accepting Osprey Shareholder not having validly withdrawn his acceptance, the irrevocable appointment of MLIT as such shareholder's attorney and/or agent (the attorney) and an irrevocable instruction and authorisation to the attorney to do all such acts and things as may in the attorney's opinion be necessary or expedient for the purpose of or in connection with, the acceptance of the Offer and to vest the Osprey Shares referred to in paragraph (a) of this Section D in MLIT or its nominee;
- (d) that the Electronic Acceptance constitutes the irrevocable appointment of Computershare Investor Services as such shareholder's attorney and an irrevocable instruction and authority to the attorney (i) subject to the Offer becoming unconditional in all respects in accordance with its terms and to an accepting Osprey Shareholder not having validly withdrawn his acceptance, to transfer to itself (or to such other person or persons as MLIT or its agents may direct) by means of CREST all or any of the Osprey Shares in uncertificated form (but not exceeding the number of Osprey Shares in uncertificated form in respect of which the Offer is accepted or deemed to be accepted) and (ii), if the Offer does not become unconditional in all respects, to give instructions to Euroclear, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 days of the lapsing of the Offer), to transfer all such Osprey Shares to the original available balance of the accepting Osprey Shareholder;
- (e) that the Electronic Acceptance constitutes, subject to the Offer becoming unconditional in all respects and to an accepting Osprey Shareholder not having validly withdrawn his acceptance, an irrevocable authority and request:
 - (i) to MLIT or its agents to issue any New MLIT Shares to which such shareholder is entitled in uncertificated form, provided that (aa) MLIT may (if, for any reason, it wishes to do so) determine that all or any of such New MLIT Shares shall be issued in certificated form and (bb) if the Osprey Shareholder concerned is a CREST member whose registered address is in a Restricted Jurisdiction, any New MLIT Shares to which such shareholder is entitled shall be issued in certificated form and, at the risk of such shareholder, any relevant share certificates shall be despatched to the first named holder at his registered address outside a Restricted Jurisdiction or as otherwise determined by MLIT;

- (ii) subject to the provisions of paragraph 7 of Section B of this Part VII, to MLIT and its agents to procure that such Osprey Shareholder's name is entered on the register of members of MLIT in respect of any New MLIT Shares to which he becomes entitled pursuant to the Offer;
- (f) that the Electronic Acceptance constitutes a separate authority to MLIT and/or the Directors within the terms of paragraph 5 of Section B of this Part VII in respect of the Osprey Shares in uncertificated form referred to in paragraph (a) of this Section D;
- (g) that, subject to the Offer becoming or being declared unconditional in all respects (or if the Offer will become unconditional in all respects or lapse immediately upon the outcome of the resolution in question or if the Panel consents) and pending registration:
 - (i) MLIT or its agents shall be entitled to direct the exercise of any votes and any or all other rights and privileges (including the right to requisition the convening of a general meeting of Osprey or of any class of its shareholders) attaching to any Osprey Shares in uncertificated form in respect of which the Offer has been accepted or is deemed to have been accepted and not validly withdrawn; and
 - (ii) an Electronic Acceptance in respect of the Osprey Shares comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn:
 - (A) constitutes an authority to Osprey from such Osprey Shareholder to send any notice, circular, warrant, document or other communication which may be required to be sent to him/her as a member of Osprey (including any share certificate(s) or other document(s) of title issued as a result of a conversion of such Osprey Shares into certificated form) to MLIT at its registered office;
 - (B) constitutes an authority to MLIT or any MLIT Director to sign any consent to short notice of a general or separate class meeting as his attorney and/or agent and on his behalf and/or attend and/or execute a form of proxy in respect of such Osprey Shares appointing any person nominated by MLIT to attend general and separate class meetings of Osprey (and any adjournments thereof) and to exercise the votes attaching to such shares on his behalf, where relevant, such votes to be cast so far as possible to satisfy any outstanding condition of the Offer; and
 - (C) will also constitute the agreement of such Osprey Shareholder not to exercise any of such rights without the consent of MLIT and the irrevocable undertaking of such Osprey Shareholder not to appoint a proxy to attend any such general meeting or separate class meeting;
- (h) that he is the sole legal and beneficial owner of the Osprey Shares in uncertificated form in respect of which the Offer is accepted or deemed to be accepted or he is the legal owner of such Osprey Shares and he has the necessary capacity and authority to effect an Electronic Acceptance;
- (i) that the Osprey Shares in uncertificated form in respect of which the Offer is accepted or deemed to be accepted are sold fully paid up and free from all liens, equities, charges, encumbrances and other third party rights and/or interests and together with all rights now or hereafter attaching thereto, including voting rights and the right to receive and return all dividends, interests and other distributions (if any) declared, made or paid after 5 May 2009;
- (j) that he will do all such acts and things as shall be necessary or expedient to vest the Osprey Shares referred to in paragraph (a) of this Section D in MLIT or its nominee(s) or such other persons as it may decide and all such acts and things as may be necessary or expedient to enable Computershare Investor Services to perform its functions as Escrow Agent for the purposes of the Offer;
- (k) that he agrees to ratify each and every act or thing which may be done or effected by MLIT or Computershare Investor Services or any MLIT Director or any director of Computershare Investor Services or their respective agents or Osprey or its agents, as the case may be, in the exercise of any of his powers and/or authorities under the Offer Document;

- (l) that if, for any reason, any Osprey Shares in respect of which a TTE Instruction has been effected in accordance with the relevant provisions of the Offer Document are converted to certificated form, he will (without prejudice to paragraph (g)(ii)(A) of this Section D) immediately deliver or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of all such Osprey Shares as so converted to Computershare Investor Services at the address referred to in paragraph 3(a) of Section B of this Part VII or to MLIT at its registered office or as MLIT or its agents may direct; and he shall be deemed upon conversion to undertake, represent, warrant and agree in the terms set out in Section C of this Part VII in relation to such Osprey Shares;
- (m) that the making of an Electronic Acceptance constitutes his agreement to the terms of paragraphs 6(e)(i), (ii) and (iii) of Section B of this Part VII;
- (n) that, by virtue of the CREST Regulations, the making of an Electronic Acceptance constitutes an irrevocable power of attorney by the relevant Osprey Shareholder in the terms of all the powers and authorities expressed to be given by Section B, this Section D and (where applicable by virtue of paragraph (l) above) Section C of this Part VII to MLIT, Computershare Investor Services and any of their respective agents;
- (o) that if any provision of Section B or Section D of this Part VII shall be unenforceable or invalid or shall not operate so as to afford MLIT or Computershare Investor Services or any director of any of them the benefit or authority expressed to be given therein, he shall with all practicable speed do all such acts and things and execute all such documents that may be required to enable MLIT and/or Computershare Investor Services and/or any director of either of them to secure the full benefits of Section B and this Section D.

References in this Section D to an Osprey Shareholder shall include references to the person or persons making an Electronic Acceptance.

PART VIII – ADDITIONAL INFORMATION

1. Responsibility Statement

The Company and each of its Directors, whose names appear on page 17 of this document, and the Proposed Director accept responsibility for the information contained in this document. To the best of the knowledge of the Company and each of its Directors and the Proposed Director (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation, History and Conduct of Business

2.1 The Company was incorporated and registered in England and Wales on 29 April 1971 as a public company limited by shares under the Companies Act 1948 with registered number 1009550 and the name Clangrove Limited. The name was changed to Manchester & London Investment Trust Limited on 13 July 1971. It was re-registered under the Companies Acts 1948 to 1981 as a public limited company on 7 October 1983 with the name of Manchester & London Investment Trust Public Limited Company. It is domiciled in the United Kingdom and has an unlimited life. MLIT is not authorised or regulated by the FSA.

2.2 As a result of the Acquisition, the Company may lose investment trust status under section 842 of ICTA as the investment in Osprey will represent more than 15 per cent. of the Company's investments at the time of investment. As a consequence, MLIT may not be able to take advantage of the exemption from capital gains in the year to 31 July 2009. The Board does not expect that this will have any adverse tax consequences as MLIT has significant unused capital losses which amounted to over £7m at 31 July 2008.

After the Acquisition has been completed then MLIT intends to conduct its affairs and those of its subsidiary, Osprey, in subsequent accounting periods in such a way as to ensure that it regains investment trust status.

2.3 The Company has given notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to section 833 of the Companies Act 2006.

2.4 The Existing MLIT Shares are traded on London Stock Exchange's main market for listed securities. MLIT Shares are held in both certificated and uncertificated form. New MLIT Shares will be issued in both certificated and uncertificated form.

2.5 Details of the Company's share capital are set out in paragraph 3 of this Part VIII. The Company has the power to borrow, subject to the limit imposed by the Articles described in paragraph 4 of this Part VIII and as set out in paragraphs 10 below. Details of the Company's borrowing policy are set under the heading "Borrowing Policy" in Part I of this document.

2.6 The Company has five subsidiaries (all of whom have been dormant since 31 July 2005) and two dealing subsidiaries and is itself a subsidiary of Manchester & Metropolitan Investment Limited, from whose leased offices the Company operates. The Company neither owns nor occupies any other premises or has any other fixed assets.

2.7 The Company only has one employee being the Company Secretary.

2.8 No share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.

2.9 The Company will not conduct any trading activity which is significant in the context of its groups as a whole.

3. Share Capital

Set out below are details of the authorised and issued share capital of the Company:

<i>Authorised</i>			<i>Issued fully paid</i>	
<i>£</i>	<i>Number</i>		<i>£</i>	<i>Number</i>
4,000,000	16,000,000	MLIT Shares	3,486,585	13,946,338

The MLIT Shares have a Sterling denominated nominal value of 25p each. 44 shares are held in treasury. No shares are held by subsidiaries of the Company.

Following the Offer, based on the Offer Illustration, (assuming that the maximum number of shares are issued), the issued share capital of the Company will comprise:

<i>Authorised</i>			<i>Issued fully paid</i>	
<i>£</i>	<i>Number</i>		<i>£</i>	<i>Number</i>
7,000,000	28,000,000	MLIT Shares	4,405,961.75	17,623,847

- 3.1 A new authority which allows the Company to allot up to 14,053,622 new ordinary shares of 25p is to be approved by shareholders at the General Meeting.
- 3.2 A special resolution allowing the Company to purchase up to 1,394,633 of its own shares and allowing it to retain 10 per cent. of its issued shares in treasury was passed at the annual general meeting of the Company on 18 November 2008 and a resolution will be proposed at the General Meeting to allow the Company to purchase up to 14.99 per cent. of the Enlarged Share Capital.

4. Memorandum and Articles of Association

The memorandum of association of the Company provides that the Company's principal object is to carry out the business of a holding company and the business of an investment company. The objects of the Company are set out in clause 4 of its memorandum of association, a copy of which is available for inspection at the addresses set out in paragraph 17 of this Part VIII. The Articles of Association of the Company contain, amongst others, provisions to the following effect:

4.1 Rights attaching to MLIT Shares

4.1.1 Voting Rights

Such to any terms or restrictions as to voting attached to any MLIT Shares pursuant to the Articles (including any restrictions placed on shares in the event of non-compliance with a notice given requiring disclosure of interest in voting shares) on a show of hands every member (being a holder of MLIT Shares and not being a member who has failed to pay any call or other sum payable by him to a company in respect of MLIT Shares held by him) who is present in person or by proxy shall have one vote for every one Ordinary Share of which he is the holder. No MLIT Shares held by major shareholders have different rights.

4.1.2 Dividends/Income

4.1.2.1 The profits of the Company available for distribution by way of dividend and resolved to be distributed shall be applied in the payment of dividends to members in accordance with their respective rights and priorities.

4.1.2.2 The Company in general meeting may declare dividends provided that no dividend shall be payable except in accordance with the provisions of the Act and not dividends shall exceed the amount recommended by the MLIT Board. Unless the terms of issue of any shares provide otherwise, all dividends shall be apportioned and paid pro-rata according to the amounts paid up on the shares during the period in respect of which the dividend is paid. The MLIT Board may, if it thinks fit, from time to time pay the members such interim dividends as appear to the MLIT Board to be justified by the profits of the Company. Any dividend unclaimed after a period of 12 years shall be forfeited and shall cease to remain owing by the Company.

4.1.2.3 Directors shall establish a reserve called the "Capital Reserve" and shall, to the extent not used in providing for depreciation or contingencies, carry to the credit of such reserve from time to time all monies realised on or derived from the sale, realisation or payment off of other dealings with any capital assets of the Company in excess of the book value of the same. There shall also be carried to the credit of such Capital Reserve any receipts of a capital nature.

4.1.2.4 The Capital Reserve shall not be available for distribution by way of dividend.

4.1.3 Capital

On a winding up of the Company the assets and retained profits available for distribution shall be distributed amongst the holders of ordinary shares in proportion to the amounts paid up or credited as paid up on the ordinary shares as held by them respectively.

4.2 Changes in Share Capital

4.2.1 Subject to the provisions of the Act and to the rights attached to any existing shares, any new shares may be issued with such rights or restrictions as the Company may from time to time by ordinary resolution determine or, if no such determination is made, as the MLIT Board may determine.

4.2.2 Subject to the provisions of the Act the Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, subdivide its shares or any of them into shares of a smaller amount or cancel any shares which at the date of passing of the resolution have not been taken or agreed to be taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares cancelled.

4.2.3 Subject to the provisions of the Act the Company may by special resolution reduce its authorised and issued share capital, any capital redemption reserve or any share premium account.

4.3 Variation of Rights

Subject to the provisions of the Act, all or any of the rights or privileges attached to any class of shares may be varied or abrogated either with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of that class of shares.

4.4 Transfer of Shares

Subject to the Articles, a member may transfer all or any of his shares. The instrument of transfer of a share shall be any usual form or any form approved by the MLIT Board and shall be executed by or on behalf of the transferor (and in the case of a share which is not fully paid up by or on behalf of the transferee). Subject to the Articles, the requirements of the London Stock Exchange and the Regulations, the MLIT Board may refuse, without giving a reason, the registration of any share transfer unless it is in respect of a share which is fully or partly paid up, in respect of only one class of shares, in respect of a share on which the Company has no lien, in favour of a single transferee or not more than four joint transferees, and it is duly stamped and delivered to the office for registration along with the share certificate and any other evidence required to make the transfer. If the MLIT Board refuses to register a transfer it will notify the transferee within two months after the date on which the transfer was lodged with the Company. The Company will not charge a fee for the registration of any transfer. Subject to the provisions of the Regulations, the MLIT Board may suspend the registration of transfers of shares at any time for a period not exceeding 30 days in any one year.

4.5 General Meetings

4.5.1 The Company shall hold annual general meetings, which shall be convened by the MLIT Board, in accordance with the Act. The MLIT Board can call an extraordinary general meeting at any time it thinks fit and will do so immediately on receipt of a requisition from members in accordance with the Acts.

4.5.2 At least 21 clear days' written notice must be given for every annual general meeting and for any other meeting to pass a special resolution. For all other general meetings, at least 14 clear days' written notice must be given. The notice for any general meeting must state, among other things (i) where the meeting is to be held; and (ii) the date and time of the meeting.

4.5.3 Subject to legislation and the Articles, every Shareholder can attend a general meeting in person or by proxy. The MLIT Board can make arrangements that it, in its discretion, thinks appropriate to ensure the security and orderly conduct of the meeting including (i) requirements for evidence of identity to be produced by those attending (ii) the searching of their personal property and (iii) the restriction of items that may be taken into the meeting place. The MLIT Board is entitled to refuse entry to a person who refuses to comply with the arrangements, requirements or restrictions.

- 4.5.4 The right of a shareholder to participate in the business of any general meeting shall include the right to vote on a show of hands (where demanded in accordance with the Articles), vote on a poll and be represented by a proxy.
- 4.6 Disclosure of interests in Shares
- 4.6.1 Section 212 of the Act provides a public company with the statutory demands to ascertain the persons who are or who have within the last three years been interested in its relevant share capital and in the nature of those interests.
- 4.6.2 The Articles provide that if any member has been duly served with a notice under section 212 of the Act and is in default for the prescribed period in supplying to the Company the information thereby required, then the Directors may serve a notice (a “direction notice”) upon such member. A direction notice may direct that, in respect of the shares in relation to which the default occurred (“default shares”), the member shall not be entitled to vote at a general meeting or meeting of the holders of any class of shares of the Company either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company or of the holders of any class of shares of the Company. Where the default shares represent at least 0.25 per cent. of the class of shares concerned, then the direction notice may additionally direct that in respect of the default shares, any dividend shall be retained by the Company without any liability to pay interest thereon and the member shall not be entitled to elect to receive shares instead of that dividend. No transfer other than an excepted transfer (as defined in Article 72) shall be registered subject to conditions. Where, on the basis of information obtained from a member in respect of any share held by him, the Company issues a notice pursuant to section 212 of the Act to any other person, it shall, at the same time, send a copy of the notice to the member, but the accidental omission to do so, or the nonreceipt by the member of the copy, shall not invalidate the sanctions for non-disclosure.
- 4.7 Directors
- 4.7.1 At any MLIT Board meeting any Director shall not vote or be counted in the quorum in relation to a resolution concerning any contract, arrangement, transaction or proposals in which he or any person connected with him is materially interested (including fixing or altering his remuneration) unless such interest arises by virtue of any of the following:
- 4.7.1.1 the giving to the Director of a guarantee, security or indemnity in respect of either money lent or obligations incurred by him at the requires of or for the benefit of the company or its subsidiaries or in respect of a debt or obligation of the Company or subsidiary for which he has assumed responsibility;
- 4.7.1.2 if his interest arises in relation to another company in which he holds less than 1 per cent. of the voting rights;
- 4.7.1.3 the interest is in relation to arrangements for the benefits of employees generally not offering him any enhanced rights;
- 4.7.1.4 the interest relates to insurance which the Company proposes to maintain for the Directors or for persons including the Directors.
- 4.7.2 The Directors shall exercise the borrowing powers of the Company provided that the borrowing shall not (unless otherwise authorised by ordinary resolution of the Company) exceed a sum equal to two times the adjusted total of capital and reserves.
- 4.7.3 At each annual general meeting of the Company a third of the Directors that are subject to retirement by rotation shall be eligible for re-election. In addition, any director who attains the age of 70 shall be required to be re-elected at the next annual general meeting. He shall then be deemed to retire when next due to retire by way of rotation and shall not be re-elected each year.
- 4.8 Management Expenses
- The MLIT Board may determine whether any cost, liability or expense (including any costs or expenses incurred in connection with the management of the Company’s assets) is to be treated as a cost, liability or expense chargeable to capital or to revenue or partly to one and partly to the other and to the extent that the MLIT Board may determine any such costs may be debited to the Capital reserve.

5. Mandatory offers and compulsory acquisition of Shares

The Company is subject to the Takeover Code, which, inter alia, provides that if any person, or group of persons acting in concert, acquires Shares carrying 30 per cent. or more of the voting rights exercisable in general meetings, that person shall be required to make an offer for all the issued Shares not already held by him (or persons acting in concert with him) in cash at the highest price paid by that person, or any person acting in concert with him, during the 12 month period prior to the purchase of shares which triggered the obligation. There are certain circumstances where no such offer may be required, such as where a holder of over 50 per cent. of the issued voting shares acquires additional shares. Section 979 of the Act provides that if an offer is made for the issued share capital of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has received acceptances or purchased shares subsequent to the making of the offer amounting (in aggregate) to 90 per cent. or more of the shares to which the offer relates. Certain time limits apply. Section 983 of the Act permits a minority shareholder to require an offeror to buy his shares if that offeror has received acceptances or purchased shares subsequent to the making of the offer amounting (in aggregate) to 90 per cent. or more of the shares to which the offer relates. Certain time limits apply.

6. Directors' and others' interests

6.1 Mr B S Sheppard and companies under his control hold a controlling interest in the Company.

6.2 Mr B S Sheppard is a director of Midas and holds 50 per cent. of its issued share capital.

6.3 As at 27 April 2009 (the latest practicable date prior to the publication of this document) the Directors named below and connected persons (as defined by Section 252 of the Act) held the following number of shares:

<i>Name</i>	<i>Prior to the Offer</i>		<i>Following the Offer*</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Share Capital</i>
Mr P H A Stanley	6,250	0.04%	6,250	0.04%
Mr B S Sheppard***	4,430	0.03%	4,430	0.03%
Mr M J Wilbraham	10,500	0.08%	10,500	0.06%
Manchester & Metropolitan Investment Limited**	7,870,849	56.44%	9,280,932	52.66%

* Assuming full acceptance of the Offer on the Offer Illustration.

** Manchester & Metropolitan Investment Limited is ultimately controlled by B.S. Sheppard, members of his family and family trusts. Save as disclosed in this paragraph, neither the Directors nor any connected persons have any interest in any MLIT Shares which is required to be notified to the Company pursuant to Chapter 3 of the Disclosure and Transparency Rules, to be entered in the register referred to therein.

*** Non-beneficial interest.

6.4 In addition to their directorships in the Company and its subsidiaries, the Directors and the Proposed Director currently hold or have within the five years preceding the date of this document held the following directorships and are or have within such period been partners in the following firms;

<i>Name</i>	<i>Present directorships</i>	<i>Past directorships</i>
PHA Stanley	–	–
MJ Wilbraham	Key Brand Entertainment (Management) Limited Eurocentre Time Traveller Parks (Jersey) Ltd	Ealing Studios Productions plc Mayday Modern Picture Midas Active Management Midas Investment Management Ltd

<i>Name</i>	<i>Present directorships</i>	<i>Past directorships</i>
BS Sheppard	Bryport Assets Management Ltd Midas Investment Management Ltd Gall & Eke Holdings Limited Manchester & Metropolitan Investment Management Limited Manchester & Metropolitan Investment Trust Limited Neil Fergusson (Chemist) Ltd Birch Hotel Ltd	–
David Harris	Character Group plc COBRA Holdings plc Aseana Properties Limited Small Companies Dividend Trust Plc F&C Managed Portfolio Trust plc Osprey Smaller Companies Income Fund Limited SDF Productions Ltd (unquoted) InvaTrust Ltd (unquoted)	Premier Absolute Growth and Income Trust plc

6.5 The Company's assets are managed by Midas which is controlled by Mr B S Sheppard and Mr M B B Sheppard. In the year ended 31 July 2008, Midas received a management fee of £265,117, a corporate fee of £30,000 plus VAT and commission fees of £185,890. In the year ended 31 July 2007, Midas received a management fee of £266,111, a corporate fee of £30,000 plus VAT and commission fees of £114,482. Save for these there were no transactions during the current or immediately preceding year and no such transactions remain outstanding for which the Directors' interests, are or were, unusual in their nature or conditions or significant to the business of the Group.

6.6 On 18 June 2008 Midas was appointed as the investment adviser of Osprey. With effect from 1 January 2009, Midas received an annual fee equivalent to 0.25 per cent. of the net asset value of Osprey.

Manchester & Metropolitan Investment Limited, which is controlled by Brian Sheppard and his family and family trusts, holds 4,047,000 Osprey Shares in respect of which it has signed a letter of intent to accept the Offer.

6.7 The aggregate remuneration paid and benefits in kind granted to the Directors for the year ended 31 July 2008 amounted to £39,000. The Company makes no payments for pension benefits.

6.8 At the date of this document:

- (i) none of the Directors has any convictions in relation to fraudulent offences for at least the previous five years;
- (ii) none of the Directors was a director of a company, a member of an administrative, management or supervisory body or a senior manager of a company within the previous five years which has entered into any bankruptcy, receivership or liquidation proceedings;
- (iii) none of the Directors has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

7. Major interests in shares

- 7.1 In addition to the holdings disclosed in paragraph 6 above, the Company is aware of the following persons who may, directly or indirectly, be interested in 3 per cent. or more of the issued share capital of the Company:

<i>Name</i>	<i>Prior to the Offer</i>		<i>Following the Offer*</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Share Capital</i>
Manchester & Metropolitan Investment Ltd	7,870,849	56.44%	9,280,932	52.66%
Pershing**	1,102,730	7.91%	1,102,730	6.26%
Roynominees**	1,088,094	7.80%	1,088,084	6.17%
NW Brown**	1,047,498	7.51%	1,047,498	5.94%
Rathbone***	570,912	4.09%	626,312	3.55%

* Based on the Offer Illustration.

** Assuming that no Osprey Shares held.

*** Assuming that Rathbone accepts the offer in respect of 159,000 Osprey Shares subject of a letter of intent to accept the Offer.

- 7.2 Those interested, directly or indirectly, in 3 per cent. or more of the issued share capital of the Company do not now, and will not following the Offer, should it be accepted, have differing voting rights from other holders of shares in the Company.

8. Directors' letters of appointment

The Directors have entered into letters of appointment with the Company dated 25 November 1997. Each Director is appointed a non-executive Director of the Company. Save for P H A Stanley (the Company's Chairman), whose Director's fee shall be £12,000 per annum, each Directors' fee shall be £10,000 per annum. The fees are payable quarterly in arrears and are to be reviewed annually on 1 November. The letters of appointment are terminable on at least six months' written notice by either party.

David Harris has agreed to join the MLIT Board as a non executive director if the Offer is declared unconditional in all respects. The terms of his potential appointment are as follows: Mr Harris shall be entitled to receive director's fees of £12,000 per annum, payable quarterly in arrears. The fees are to be reviewed annually on 1 November. Save in certain limited circumstances, Mr Harris's appointment will be terminable on at least six months' written notice by either party.

There are no service contracts between any of the directors or the Company.

9. Material contracts

9.1 MLIT

Save as disclosed in this paragraph, there are no contracts (other than contracts entered into in the ordinary course of business) which (i) have been entered into by the Company or its subsidiaries within the two years immediately preceding the date of this document and which are, or may be, material to the Company or the Group, or (ii) contain any provision under which the Company or its subsidiaries have any obligation or entitlement which at the date of this document is material to the Company or the Group.

9.1.1 The Company and the Investment Manager have entered into an agreement dated 23 November 2005 (the "Management Agreement") pursuant to which the Investment Manager agreed to manage the Company's portfolio in accordance with the policy determined by the MLIT Board from time to time. The Investment Manager receives a fee of 0.125 per cent. of net assets plus VAT, paid quarterly in arrears.

9.1.2 On 31 May 2006 the Company entered into an agreement with Fairfax pursuant to which Fairfax agreed to act as the Company's broker terminable by either party on immediate notice in writing. The Company has agreed to pay Fairfax fees of £20,000 per annum payable quarterly in arrears.

9.1.3 The Company, Galleon Securities, Mr B S Sheppard, Mr E Bor and GAM have entered into an agreement dated 1 December 1997 (the "Relationship Agreement") pursuant to which Galleon Securities, Mr B S Sheppard and Mr E Bor have given covenants to the following effect:

- (i) That any transaction between Mr B S Sheppard or any party connected with Mr B S Sheppard and the Company shall be considered on behalf of the Company by a committee of its MLIT Board which shall exclude Mr B S Sheppard and any Director who is also a director of the other party to the transaction.
- (ii) Neither Galleon Securities nor any party connected with Mr B S Sheppard shall exercise voting rights in respect of MLIT Shares in respect of any resolution which involves a transaction with a connected party save where the relevant resolution relates to a transaction or a proposed transaction constituting one of the exceptions to the requirements of Chapter 11 of the Listing Rules.
- (iii) Galleon Securities and Mr B S Sheppard shall exercise the voting rights in respect of the MLIT Shares held by them to ensure that if there ceases to be a majority of Directors who are not connected to Mr B S Sheppard on the MLIT Board then they shall ensure that there shall be appointed to the MLIT Board such number of persons necessary to ensure that such majority is re-established.
- (iv) Mr B S Sheppard and connected parties shall not exercise the voting rights attaching to the MLIT Shares held by them from time to time in support of a resolution to appoint any person as an additional Director of the Company if, following that person's appointment, there would not be a majority of independent directors (the person so appointed being treated as a connected party for this purpose), unless that person's appointment is recommended by the independent directors. The agreement will remain in effect until such time as Mr B S Sheppard and parties connected with him cease to hold 30 per cent. of the issued Ordinary Share capital of the Company.

9.1.4 An engagement letter dated 24 February 2009 with Fairfax pursuant to which Fairfax has been appointed to act as sponsor and financial adviser to the Company in respect of the Acquisition. Fairfax shall be entitled to a corporate finance fee of £150,000 subject to the Company successfully achieving a holding of 50 per cent. or more in the issued share capital of Osprey or, alternatively, if the Offer lapses, an abort fee of £50,000. Fairfax shall also be entitled to fees and expenses reasonably incurred in connection with the appointment.

9.1.5 Pursuant to an agreement dated 14 April 2003, Midas has also been appointed as financial adviser to the Company for which it receives an annual retainer of £30,000 plus VAT.

9.2 Osprey

Save as disclosed in this paragraph, there are no contracts (other than contracts entered into in the ordinary course of business) which (i) have been entered into by the Osprey within the two years immediately preceding the date of this document and which are, or may be, material to Osprey, or (ii) contain any provision under which Osprey have any obligation or entitlement which at the date of this document is material to Osprey.

9.2.1 Pursuant to an engagement letter dated 20 March 2009 between Osprey and Mazars Corporate Finance Limited ("Mazars") (the "Mazars Engagement Letter"), Mazars have agreed to advise Osprey in relation to the Offer. Mazars is entitled to a fee of £20,000 in respect of its appointment in addition to the payment of reasonable out of pocket expenses. The Mazars Engagement Letter contains certain indemnities given by Osprey to Mazars.

9.2.2 Osprey entered into an agreement with Fairfax I.S. PLC ("Fairfax") dated 19 September 2008 (the "Repurchase Agreement") pursuant to which Osprey agreed to repurchase all the ordinary shares purchased by Fairfax pursuant to a tender offer to shareholders of Osprey. Under the Repurchase Agreement, upon the tender offer becoming unconditional in accordance with its terms, (i) Fairfax agreed to use its reasonable endeavours to sell shares tendered by shareholders under the tender offer in the market and (ii) Fairfax agreed to sell to Osprey, and Osprey agreed to purchase, any remaining tendered shares (the resulting position being that Fairfax would no longer hold any shares tendered by shareholders under the tender offer).

9.2.3 Under an administration agreement between Osprey and Elysium Fund Management Limited ("Elysium") dated 18 June 2008 (the "Administration Agreement"), Osprey appointed Elysium to provide administration and secretarial services. Under the Administration Agreement, Elysium is

entitled to an annual fee of £140,000, payable monthly in arrears and subject to an annual increase. The Administration Agreement is subject to termination on 12 months' notice.

- 9.2.4 A termination agreement was entered into between Osprey, Elysium and Unicorn Asset Management Limited ("Unicorn") on 18 June 2008 (the "Termination Agreement"). Under the Termination Agreement, Osprey terminated with immediate effect a then existing investment advisory agreement it had with Unicorn; under the same agreement, Osprey also terminated with immediate effect a then existing management agreement it had with Elysium. In consideration of the termination of the investment advisory agreement, Osprey was to pay Unicorn a sum of £192,493 within two days of the execution of the Termination Agreement. In consideration of the termination of the management agreement, Osprey was to appoint Elysium as administrator.
- 9.2.5 An investment advisory agreement was entered into between Osprey and Midas dated 18 June 2008 (the "Investment Advisory Agreement"). Under the Investment Advisory Agreement, Osprey appointed Midas to act as investment adviser and discretionary investment manager. In consideration of its services under the Investment Advisory Agreement, from 1 January 2009, Midas was entitled to receive a fee equal to 0.25 per cent. of the net assets of Osprey, payable quarterly in arrears and calculated using the net asset value of Osprey as at the last date of the quarter period in respect of which a payment was to be made. The Investment Advisory Agreement contains certain indemnities given by Osprey to Midas. The Investment Advisory Agreement may be terminated by either party on 12 months' notice or otherwise in circumstances including, inter alia, if one of the parties goes into liquidation or commits a material and/or continuing breach of the Investment Advisory Agreement.
- 9.2.6 A side letter was given to Osprey by Midas in relation to the Investment Advisory Agreement described above, dated 18 June 2008, under which Midas undertook to Osprey that, in consideration of its appointment as investment adviser, it would use all voting powers and powers of control available to vote in favour of any resolutions required by Osprey in its absolute discretion to undertake a tender offer to shareholders of Osprey and that it would not vote against any resolution put by Osprey proposing an amendment to Article 127(i) of Osprey's articles of association.
- 9.2.7 On 13 February 2008, Osprey entered into an agreement with Fairfax pursuant to which Fairfax agreed to act as Osprey's broker. Pursuant to the agreement Fairfax was entitled to receive an annual fee of £25,000, payable quarterly in advance. The agreement contains certain indemnities given by Osprey to Fairfax. The agreement was subject to termination on three months' notice given by either party.
- 9.2.8 Under an engagement letter between Osprey and Elysium dated 30 November 2006 (the "Elysium Engagement Letter"), Elysium accepted the appointment by Osprey to act as sponsor to Osprey in the Channel Islands. Pursuant to the Elysium Engagement Letter, Elysium is entitled to an annual retainer of £10,000 payable half-yearly in advance on 1 January and 1 July in each year during the continuance of the engagement and reasonable out of pocket expenses and disbursements properly incurred. The Elysium Engagement Letter may be terminated by either Osprey or Elysium by giving 30 days' written notice.
- 9.2.9 Under an agreement dated 22 August 2002 between Osprey and Collins Stewart (CI) Limited ("Collins Stewart") (the "Custodian Agreement"), Collins Stewart was appointed as custodian of the assets of Osprey. Collins Stewart was entitled to receive a fee from Osprey at the annual rate of 0.05 per cent. of its total assets together with a £40 transaction settlement charge. The fee is subject to an annual increase. The Custodian Agreement contains an indemnity in favour of Collins Stewart against claims by third parties except to the extent that the claim is due to the negligence, wilful default or fraud of Collins Stewart. The Custodian Agreement may be terminated by either party giving to the other not less than three months' notice in writing at any time or otherwise in circumstances where either party goes into liquidation.
- 9.2.10 Pursuant to a Bank of Scotland facility letter (the "Bank of Scotland Facility") dated 22 August 2002 between Osprey and Bank of Scotland, Bank of Scotland made available to Osprey a term loan facility. The facility currently available is up to £10,500,000, expiring on 15 April 2010 (and subject to repayment on demand on the occurrence of an event of default). Interest on the Bank of Scotland Facility is payable quarterly in arrears at a rate per annum equal to the aggregate three month

LIBOR, certain additional regulatory costs to Bank of Scotland and a margin of 1.05 per cent. per annum. Under the terms of the Bank of Scotland Facility, the facility is secured by Osprey granting to Bank of Scotland an English law floating charge, a Guernsey law security interest agreement and a Jersey law security interest agreement over substantially all of its assets

The Bank of Scotland Facility contains financial and other covenants.

9.2.11 Under an agreement dated 22 August 2002 between Osprey, Capita IRG (CI) Limited (“Capita”) and Capita IRG Plc (the “Registrar Agreement”), Capita agreed to act as registrar of Osprey. Capita was entitled to a fee equal to a minimum of £7,000 per annum, payable quarterly in arrears. That fee was fixed for the first 12 months and subject to amendment thereafter upon Capita giving not less than 30 days’ prior written notice to Osprey. The Registrar Agreement is terminable by either Osprey or Capita giving not less than 6 months’ notice. Under the Registrar Agreement, Osprey indemnifies Capita for any loss, damage, costs and expenses incurred by it except in respect of such losses arising from the default or negligence of Capita.

10. Borrowing

The MLIT Board shall restrict the borrowings up to a sum equal to two times the adjusted total of capital and reserves being

- 10.1 the amount paid up or credited as paid up on the issued share capital of the Company; and
- 10.2 the amounts standing to the credit of the reserves of the Group, (whether distributable or undistributable) including the profit & loss account, share premium account, capital redemption reserve, revaluation reserve and unappropriated balance of grants (including investment grants) but deducting any debit balance on the profit and loss account (other than any such debit balance arising only on consolidation).

11. Subsidiaries

<i>Subsidiary</i>	<i>Activity</i>	<i>Ownership %</i>	<i>Country of Incorporation</i>
Beacontree Plaza Limited	Non-trading	100	UK
Beaconbranch Limited	Non-trading	100	UK
Saintclose Limited	Dealing subsidiary	100	UK
Darethrift Limited	Non-trading	100	UK
Fileglow Limited	Non-trading	100	UK
Zealgate Limited	Non-trading	100	UK
Manchester & London Securities Limited	Dealing subsidiary	100	UK

All subsidiary undertakings are incorporated in England and Wales and have their registered office at 2nd Floor, Arthur House, Chorlton Street, Manchester M1 3FH.

12. The Investment Manager and Custodian

- 12.1 The Investment Manager is Midas Investment Management Limited which was incorporated in England and Wales on 1 October 1984 under the Companies Act 1948 with registered number 01851650. It is authorised and regulated by the FSA and is a member of the London Stock Exchange and PLUS and commenced trading on 1 December 2001. It is domiciled in the United Kingdom and its registered and head office is at 2nd Floor, Arthur House, Chorlton Street, Manchester M1 3FH – Telephone 0161 228 1709.
- 12.2 The Custodian is Pershing Securities Limited which was incorporated in England and Wales on 27 February 1990 under the Companies Act 1985 with registered number 02474912. It is domiciled in the United Kingdom and its registered and head office is at Capstan House, One Clove Crescent, East India Dock, London, E14 2BH – Telephone: 020 7864 8000.

13. Taxation

13.1 The Company

As a result of the Acquisition, it is anticipated that the Company may lose investment trust status under section 842 of ICTA 1988 as the investment in Osprey will represent more than 15 per cent. of the Company's investments.

As a consequence, MLIT will not be able to take advantage of the exemption from capital gains in the year to 31 July 2009. The MLIT Board does not expect that this will have any adverse tax consequences as MLIT has significant unused capital losses which amounted to over £7m at 31 July 2008 and these would be available for offset against any chargeable gains which are realised in MLIT during periods when it does not have investment trust status.

After the Acquisition has been completed then MLIT intends to conduct its affairs in subsequent accounting periods in such a way as to ensure that it regains IT status.

13.2 Shareholders

Unless specifically stated to the contrary the tax position is only considered for UK resident shareholders. All other shareholders should seek their own professional advice.

13.2.1 Dividends

No withholding tax will be deducted from dividends paid to Shareholders by the Company. An individual Shareholder, resident in the UK for tax purposes, who receives a dividend will be entitled to a tax credit of an amount equal to 10 per cent. of the aggregate of the dividend and the tax credit (equivalent to one ninth of the cash dividend). Individual shareholders who do not have any taxable income will not be able to generate a tax repayment from the tax credit. The income tax charge in respect of dividends for starting and basic rate taxpayers will be at the rate of 10 per cent. of the aggregate amount of the cash dividend and the credit, but, as this will be covered by the tax credit they will have no further tax to pay on a dividend from the Company. A higher rate taxpayer will be liable to income tax on the sum of the dividend plus the tax credit (to the extent that, taking that sum as the top slice of his income, it falls above the threshold for the higher rate of income tax) at the rate of 32.5 per cent., against which he can offset the 10 per cent. tax credit. This would give rise to an effective tax rate of 25 per cent. on the value of the cash dividend received. This is an improvement on the current position whereby UK Osprey shareholders pay an effective rate of tax of 10 per cent. on dividends if they are lower rate taxpayers and 32.5 per cent. if they are higher rate taxpayers. This treatment of dividends from a Guernsey company is based on our understanding of an HM Revenue & Customs press release on 22 April 2009 and is subject to new regulations being published.

The Chancellor announced increased rates of income tax for individuals with income in excess of £150,000 which comes into force after 6 April 2010. The effective tax rate for individuals who fall within that category will increase from 25 per cent. to 36.11 per cent.

A UK resident corporate Shareholder will not be liable to corporation tax on any dividends received from the Company.

Based on current legislation, the tax treatment of dividends received by Guernsey resident individuals from MLIT will be the same as when dividends are received from Osprey. In both cases tax would be payable at an effective rate of 20 per cent. on the value of the dividend received. Please note that more complex provisions will apply for any Guernsey resident individuals whose interest is more than 1 per cent. of the share capital of MLIT.

Shareholders who are resident outside the UK should consult an appropriate professional adviser as to their tax position. Such Shareholders should note that they may not be entitled to any payment from the HM Revenue & Customs in respect of the tax credit on dividends.

13.2.2 Capital Gains on Shares

When Osprey shareholders exchange their shares in Osprey for shares in MLIT there will be no disposal for the purposes of capital gains tax. Therefore no capital gains or capital loss will crystallise in respect of this event. However, the new MLIT shares which are issued will take on the base cost of the Osprey shares for the purposes of calculating any capital gains or losses on future disposals of MLIT shares. In line with best practice, clearance has been obtained from HM Revenue & Customs on this point in their letter of 7 April 2009.

Shareholders who are resident or ordinarily resident in the UK may, depending upon their personal circumstances, be liable to taxation in respect of gains arising from the sale or other disposal (including a disposal on a winding-up) of their Shares. Any gain which arises can be reduced by the annual exemption provided that it has not already been used to cover other gains. The annual exemption is £10,100 for the tax year 2009-2010. Based on current legislation an individual will be taxed on the gain less any available annual exemption at 18 per cent.

Corporate Shareholders would be entitled to an indexation allowance depending on the length that the shares have been held for. In the event of a winding-up of the Company, distributions (other than to dealers in securities who are subject to different rules) will be treated as capital receipts. Any gains arising will be taxed at the corporate shareholder's marginal rate of tax.

Shareholders who are neither resident nor ordinarily resident in the UK and who are not carrying on a trade, profession or vocation in the UK through a permanent establishment to which the Shares are attributable as assets will not be liable to UK taxation on chargeable gains arising on the sale or other disposal of their Shares, although they may be subject to foreign taxation. There are also UK provisions applying to individuals who are temporarily non-resident from the UK that impose a liability to UK tax in the event that the individual reattains UK residence status within a five year period.

13.3 Stamp Duty and Stamp Duty Reserve Tax

No stamp duty or stamp duty reserve tax will be payable on the issue of the New MLIT Shares to the Osprey shareholders.

13.4 ISA

The Shares are a qualifying investment for the stocks and shares component of an ISA, provided that they are acquired by an ISA manager through the Offer.

13.5 Self-Invested Pension Plan (SIPP) and Small Self-Administered Schemes (SSAS)

The New MLIT Shares will be eligible for inclusion in a SIPP or a SSAS.

13.6 General

The information in this paragraph 13, which is intended as a general guide only and is based on current legislation and HM Revenue & Customs practice, summarises advice received by the Directors as to the position of the Company, for Shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes and who hold their Shares as an investment. Any Shareholder or prospective investor in the Shares who is in any doubt as to their tax position, or who is subject to tax in a jurisdiction other than the United Kingdom is strongly recommended to consult their professional adviser as soon as possible.

14. Working capital

The Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is, for a period of at least 12 months from the date of publication of this document.

15. Related Party Transactions

During the period of the historical financial information (as set out in Part II of this document) the Company was a party to an agreement with the Investment Manager, a company controlled by Mr B S Sheppard and his immediate family. Midas receives a quarterly investment management fee for these services which in the year under review amounted to a total of £265,117 excluding VAT for the financial year to 31 July 2008, together with a corporate fee for acting as financial advisor amounting to £30,000 excluding VAT and commission fees of £185,890 for the financial year to 31 July 2008. Save for this arrangement, the Company has not entered into any related party transactions during the period from incorporation of the Company until the date of this document.

16. Litigation

16.1 MLIT

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which MLIT is aware), during the previous 12 months which may have, or have had in recent past, significant effects on MLIT and/or the MLIT Group's financial position or profitability.

16.2 Osprey

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which MLIT is aware), during the previous 12 months which may have, or have had in recent past, significant effects on Osprey and/or the Osprey Group's financial position or profitability.

17. General

17.1 Fairfax, which is authorised and regulated by the FSA has given and not withdrawn its written consent to the inclusion in this document of its letter and references to its name in the form and context in which they appear. Fairfax is acting solely for Manchester & London Investment Trust plc and for no one else in connection with the Offer and will not be responsible to anyone other than Manchester & London Investment Trust plc for providing the protections afforded to clients of Fairfax or for affording advice in relation to the Offer or any matter referred to in this document

17.2 CLB Coopers, which is regulated by the Institute of Chartered Accountants in England & Wales, has given and not withdrawn its written consent to the inclusion in this document of its pro forma report in Part VI of this document, the contents of which it has authorised for the purposes of Rule 5.5.3(2)(f) of the Prospectus Rules, and references to its name in the form and context in which they appear.

17.3 Midas, which is authorised and regulated by the FSA, has given and not withdrawn its written consent to the inclusion in this document of its letter and references to its name in the form and context in which they appear.

17.4 The costs and expenses of, and incidental to, the Offer payable by the company are estimated to be approximately £668,000, of which approximately £332,000 will be borne by MLIT and approximately £336,000 by Osprey. If the Offer does not become and is not declared unconditional in all respects, the maximum costs and expenses relating to the Offer (including professional fees) that will be payable by the Company will be £217,200 (including irrecoverable VAT).

18. Documents Available for inspection

Copies of the following documents may be inspected during usual business hours on any business day (Saturdays and public holidays excepted) at the offices of Stephenson Harwood, One St Paul's Churchyard, London EC4M 8SH and the Company's registered office at Arthur House, Chorlton Street, Manchester M1 3FH from the date of this document:

18.1 the Offer Document;

18.2 the Circular;

18.3 the Memorandum and Articles of Association of the Company;

18.4 the audited financial statements for the Company for the financial years ended 31 July 2006, 31 July 2007 and 31 July 2008;

18.5 the interim results of the Company for the six months ended 31 January 2009;

18.6 the audited financial statements of Osprey for the financial years ended 31 August 2006, 2007 and 2008;

18.7 the interim accounts for Osprey for the six months ended 28 February 2009;

18.8 the material contracts referred to in paragraph 9 above;

18.9 the Director's appointment letters and the Proposed Director's draft appointment letter referred to in paragraph 8 above; and

18.10 the written consents referred to in paragraph 17 above.

5 May 2009