

Directors' Report

The Directors present their report and audited financial statements for the year to 28 February 2005.

Review of the Business and Principal Activity

The principal activity of the Company during the year under review was the making of long-term equity and loan investments, mainly on AIM.

The Company is a venture capital trust that has been listed on the Official List of the UK Listing Authority and traded on the London Stock Exchange since June 1999. It was incorporated on 25 June 1998 and was registered as an investment company under section 266 of the Companies Act 1985. On 7 August 2001 the registration was revoked to give the Company trading status which allows it to distribute realised capital gains and purchase its own shares by using a new reserve which was created on cancellation of the Company's share premium account.

The Directors consider that the Company has conducted its affairs in such a manner that will enable it to comply with Section 842AA of the Income and Corporation Taxes Act 1988 ('ICTA 1988'). The Directors also consider that the Company was not at any time up to the date of this report a close company within the meaning of Section 414 of the ICTA 1988. The Company has received full approval as a Venture Capital Trust from the Inland Revenue.

The Directors are required by the articles of association to convene an Extraordinary General Meeting immediately after the Annual General Meeting of the Company in 2009 and, if applicable, every third year thereafter, to consider and vote on a special resolution that the Company be wound up voluntarily.

Results and Dividend

The loss after taxation of the Company for the year was £538,000. The Directors propose the payment of a final dividend for the year of 2.0 pence per share in addition to an interim dividend of 1.0 pence per share and recommend that the balance be transferred from reserves.

Directors' Interests

The Directors who held office at the year end had the following interests in the 5p Ordinary Shares of the Company:

	28 February 2005	29 February 2004
R. G. Battersby (Chairman)	30,608	30,608
B. A. Anysz	26,088	26,088
Dr. C. H. B. Honeyborne	5,000	5,000
P. C. Smart	23,182	23,182
J. R. Sumner	167,114	167,114

In addition to the table above: Dr C. H. B. Honeyborne has 450,000 share options and 100,000 shares; B. A. Anysz holds 20,000 shares and J. R. Sumner holds 249,000 shares in Zoo Digital Group plc, a company in which Rensburg Aim VCT plc holds an investment.

All of the Directors' share interests shown above were held beneficially. There have been no changes in the Directors' share interests between 28 February 2005 and the date of this report.

J. R. Sumner retires from the Board and being eligible, offers himself for re-election.

None of the Directors has a contract of service with the Company and except as mentioned later under the heading 'Manager', no contract existed during or at the end of the year in which any Director was materially interested and was significant to the Company's business.

Creditor Payment Policy

It is the Company's policy to comply with the terms of payment agreed with its suppliers. Where payment terms are not negotiated, the Company endeavours to adhere to suppliers' standard terms.

Charitable and Political Donations

The Company contributed £Nil (2004: £Nil) to charities during the year.

The Company contributed £Nil (2004: £Nil) to political parties during the year.

Manager

Rensburg Investment Management Limited - VCT Division has acted as investment adviser and manager to the Company throughout the year. The principal terms of the Company's management agreement with the manager are set out in Note 3 to the financial statements.

Related Parties

Fees paid by this Company for services provided by Rensburg Investment Management Limited and Rensburg Fund Management Limited, which are related parties, amounted to £377,340 (2004: £400,284) in the year. The outstanding balance accruing to Rensburg Investment Management Limited at the year end was £Nil (2004: £79,117).

Substantial Shareholdings

As far as the Directors are aware, there were no individual shareholdings representing 3% or more of the Company's issued share capital at the date of this report.

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Annual General Meeting

Resolutions will be proposed as special business to enable the Directors to allot unissued shares and subject to the limits therein contained, to allot shares for cash other than to existing shareholders in proportion to their shareholdings. The resolutions enabling Directors to allot unissued shares and to allot shares for cash other than to existing shareholders in proportion to their shareholdings will be limited to the allotment of shares up to a maximum amount of £111,422, which represents 10% of the total ordinary share capital in issue as at 18 May 2005. The Directors do not have any present intention of exercising such authority and the authority will expire at the conclusion of the next Annual General Meeting after the passing of the proposed resolution.

In addition, a resolution is proposed to authorise the Company to purchase its own shares, subject to certain specific limits. The maximum and minimum prices that may be paid for ordinary shares in exercise of such powers is as set out in resolution 7 of the Notice of Annual General Meeting on pages 32 and 33. The Directors undertake to shareholders that they will not exercise the Company's authority to purchase its own shares unless to do so would be in the best interest of shareholders generally. The Directors do not have any present intention to exercise such authority and the authority will expire at the conclusion of the next Annual General Meeting after the passing of the proposed resolution.

International Financial Reporting Standards

The Company is aware of the general requirement for listed entities to adopt International Financial Reporting Standards ('IFRS') for accounting periods commencing on or after 1 January 2005. This Company is not required to adopt, nor intends to adopt IFRS due to the fact that consolidated accounts are not produced. However, the Company is aware that it will need to comply with FRS 26 and is currently reviewing its impact on future financial statements.

Auditors

A resolution to re-appoint KPMG Audit Plc and to authorise the Directors to agree their remuneration will be put to the members at the Annual General Meeting.

By order of the Board

J. P. Wragg, BSc (Hons), ACA
Secretary

18 May 2005