

The Directors are committed to achieving a high standard of corporate governance including, where considered appropriate, attaining compliance with the principles and provisions of the Combined Code on Corporate Governance ('the Code') as published by the Financial Reporting Council on 23 July 2003 and appended to the Listing Rules.

The following statement and the Directors' Remuneration Report on pages 17 and 18 describe how the principles set out in the Code have been applied by the Company and detail the Company's compliance with the Code provisions for the year ending 28 February 2006.

## The Board

The Board consists of four non-executive directors. B. A. Anysz and P. C. Smart served throughout the year under review, R. G. Battersby served from 1 March 2005 to 26 September 2005 and 19 December 2005 to 28 February 2006 and W. M. Cran served from 19 December 2005 to 28 February 2006. J. R. Sumner and C. H. B. Honeyborne served from 1 March 2005 until 19 December 2005. The Board considers that of the Directors, W. M. Cran and R. G. Battersby are independent. Biographical details of the Directors are given on page 10. In respect of the Chairman, there have been no material changes in his other professional commitments since his appointment.

The Board has met ten times during the year to review financial performance and strategy and has a formal schedule of matters reserved to it for decision, including corporate strategy, approval of an annual budget and financial results, approving policies relating to Directors' remuneration, proposals for dividend payments and the approval of all qualifying and other material investment decisions.

Through formal agreements, the day to day management of the Company was delegated by the Board to Rensburg Investment Management Limited ('RIML') until 31 January 2006 and to Rensburg Sheppards Investment Management Limited ('RSIM') since then. The services

provided by RIML and subsequently RSIM are principally investment management, accounting and secretarial.

Board papers comprising an agenda and formal board reports and briefing papers are sent to the Directors in advance of each meeting. All Directors have access to the advice and services of the Company Secretary and external professional advice, if required, at the Company's expense. Any newly appointed director will be provided with appropriate training having regard to any previous experience as a director of a public company.

## Board Committees

The Board has established Audit and Nomination Committees to assist in the execution of its duties. Each of these Committees operates on written terms of reference. The constitution and terms of reference of each Committee are reviewed annually to ensure that the Committees are operating effectively and any changes considered necessary are recommended to the Board for approval. The terms of reference of each Committee are available by visiting the Company's website at [www.rensburgaimvct.co.uk](http://www.rensburgaimvct.co.uk) or upon request from the Company Secretary.

The attendance record over the year of each of the Directors at scheduled board and committee meetings are shown in the table below.

|   | Board  | Audit     |           | Nomination |
|---|--------|-----------|-----------|------------|
|   |        | Committee | Committee | Committee  |
| W. M. Cran<br>(Appointed 19 December 2005)  | 1(1)   | —(—)      | —(—)      |            |
| B. A. Anysz   | 10(10) | 2(2)      | 1(1)      |            |
| R. G. Battersby<br>Resigned 26 September 2005 and re-appointed<br>19 December 2005) | 7(7)   | 1(1)      | 1(1)      |            |
| P. C. Smart   | 8(10)  | 1(2)      | —(1)      |            |
| Dr C. H. B. Honeyborne<br>(Resigned 19 December 2005)                               | 8(9)   | 1(2)      | 1(1)      |            |
| J. R. Sumner<br>(Resigned 19 December 2005)   | 7(9)   | 2(2)      | 1(1)      |            |

The figures in brackets in the table indicate the maximum number of meetings in the period during which the individual was a board member.

## Audit Committee

R. G. Battersby chairs the Committee; its membership comprises all of the non-executive directors. The Board is satisfied that R. G. Battersby, a non-executive director and member of the Committee, has recent and relevant financial experience (as referred to in the Smith Report). On invitation, the external auditor attends meetings to assist the Committee to fulfil its duties. The Audit Committee met twice during the year.

The role of the Audit committee is to assist the Board in discharging its duties and responsibilities for financial reporting, corporate governance and internal control; the Committee is also primarily responsible for making recommendations to the Board in relation to the appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors. The Committees duties include keeping under review the scope and results of the audit work, its cost effectiveness and the independence and objectivity of the auditors. The Committee also monitors the volume and nature of non-audit services provided by the auditors to ensure that a balance is maintained between objectivity and value added (see below) and undertakes an annual review as to the need for the establishment of an internal audit function.

During the year under review the Audit Committee discharged its responsibilities by:

- reviewing the Company's draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's report on the financial statements;
- reviewing the appropriateness of the Company's accounting policies;
- reviewing and approving the audit fee and reviewing non-audit fees payable to the Company's external auditors;
- reviewing the need for an internal audit function; and
- reviewing the Committee's own terms of reference.

# Corporate Governance

14 continued

## Auditor's independence and objectivity

The external auditors provide some non-audit services, primarily in the provision of taxation advice. In order to ensure that auditor objectivity and independence are safeguarded the following controls have been implemented:

- the Committee receive and review each year an analysis of all non-audit work awarded to the auditor over the previous financial year; and
- the Committee receive each year a report from the external auditor as to any matters the auditor considers bear on their independence and which need to be disclosed to the Company.

Details of the fees paid to the auditor for non-audit services during the year are provided in note 4 on page 25.

## Nomination Committee

The Board as a whole is responsible for the appointment of new Directors and for nominating them for re-election by shareholders at the first opportunity after their appointment. The Nomination Committee met once during the year under review to take a more proactive approach towards ensuring, in particular, that the Board's structure, size and composition is appropriate and to make recommendations to the Board as to the re-election of directors. The Nomination Committee is chaired by W. M. Cran and comprises all of the directors. The appointment of W. M. Cran and the re-appointment of R. G. Battersby during the year as non-executive directors of the Company did not involve any formal meeting of the nomination committee nor the use of open advertising or an external search consultancy. The decision to make these appointments was made by the full board of Rensburg Aim VCT plc as an integral part of its decision to acquire the share capital of Rensburg VCT plc whose non-executive directors at the time of its acquisition included Messrs Cran and Battersby.

## Remuneration Committee

Under the Listing Rules the Company is not obliged to operate a remuneration committee by virtue of its VCT status and the fact that the Board is comprised solely of non-executive directors. Full details of the Directors' remuneration is provided in the Directors' Remuneration Report on pages 17 and 18.

## Relationships with shareholders

The Company attaches significant importance to communication with its shareholders. Annual and Interim Reports are distributed to all parties who may have an interest in the Company's performance. A range of information of interest to existing and potential shareholders is available on the Company's website at [www.rensburgaimvct.co.uk](http://www.rensburgaimvct.co.uk). Shareholders are encouraged to attend the Annual General Meeting ('AGM') at which an opportunity is provided to ask questions on each resolution proposed. At the AGM, the Company intends to continue its policy of announcing the number of proxy votes cast in respect of each resolution. Details of the resolutions to be proposed at the AGM can be found in the notice of meeting on pages 34 and 35.

## Internal Control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

Day to day operations are delegated, through a management agreement, to Rensburg Sheppards Investment Management Limited ('RSIM'). Under the terms of that agreement RSIM provides investment management, accounting and secretarial services to the Company. A clearly defined investment strategy is set out for the Manager and monitored by the Board, which regularly reviews the Company's investments, liquid

transactions and revenue and expenditure. RSIM's system of internal controls includes organisational arrangements with clearly defined lines of responsibility and delegated authority, as well as control procedures and systems that are regularly evaluated. Being a member of the Rensburg Sheppards plc group, RISM operates under the supervision of Rensburg Sheppards plc's Audit Committee and Risk Management Committee.

In accordance with the guidance for directors on internal control 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull Guidance), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

The Board confirms that it has reviewed the effectiveness of the system of internal control for the year ended 28 February 2006 and has taken account of material developments between 28 February 2006 and the date of approval of the Report and Financial Statements.

Following an assessment, the Company has decided that it has sufficient monitoring and control procedures in place to not currently justify the establishment of an internal audit function. The need for such a function will be assessed on an annual basis moving forward.

## Compliance with the Code

Following publication of the Code in July 2003, the Board has undertaken a review of its compliance with the requirements of the Code for the year ending 28 February 2006.

The Directors consider that the Company has been in full compliance with the provisions set out in the Code throughout the year ended 28 February 2006 except as described below:

1. By virtue of its VCT status and the fact that the Board is comprised solely of non-executive directors it is not required, nor did it, comply with the following Code provisions B.1.1 to B.1.6 and B.2.1 to B.2.4 except insofar as they relate specifically to non-executive directors where full compliance was achieved.
2. The Company did not comply with the following Code provisions at any time during the year ended 28 February 2006:
  - A.1.3, A.2.1, A.3.3, A.4.5, A.6.1 and C.3.4 – Given the size, operating structure and VCT nature of the business and the fact that the Board comprises solely of four non-executive directors, then the Board do not consider it appropriate to comply with these Code provisions.
  - A.4.1 – The Nomination Committee does not comprise a majority who are non-executive directors considered independent under the Code. To attain compliance with this provision would, in the Board's view, deny the Nomination Committee the resources and experience necessary to best carry out its duties.
  - A.4.4 – The Board has agreed that in respect of all future non-executive appointments to the Board, compliance with this Code provision should be attained via the issue of a letter setting out the formal terms and conditions of appointment, which will include details of the time commitment expected of the director.
  - A.5.1, D.1.1 and D.1.2 – The shareholders in the Company are private investors as opposed to institutions or major individual shareholders; this reflects the VCT nature of the Company. Hence, the Board considers that compliance with these provisions is not appropriate.
  - A.7.2 – This provision is complied with save that, firstly, non-executive directors are not appointed for specified terms, but their appointment is terminable on three months' notice. Secondly, there is not a 'particularly rigorous review' undertaken in respect of any director put forward for re-election beyond six years in office as the Board consider that given the current size and structure of the Board this is unnecessary.
  - C.3.1 – The Audit Committee does not comprise solely of non-executive directors considered to be independent under the Code. To attain compliance with this provision would, in the Board's view, deny the Audit Committee the resources and experience necessary to best carry out its duties.

## Going Concern

After making enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the financial statements.