

# Directors' Report

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The Directors present their report and audited financial statements for the year to 29 February 2008.

## Principal Activities

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 On 7 August 2001 the registration was revoked to give the Company trading status which allows it to distribute realised capital gains and purchase its own shares by using a new reserve which was created on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.

On 19 December 2005 the Company acquired the share capital of Rensburg VCT plc via a scheme of arrangement. Upon acquisition, the trade and assets of Rensburg VCT plc were transferred to Rensburg Aim VCT plc via a distribution-in-specie.

The Directors consider that the Company has conducted its affairs in such a manner that will enable it to comply with Section 274 of the Income Tax Act 2007. 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 HM Revenue & Customs.

Presently, the Directors are required by the Articles of Association to convene an General Meeting immediately after the Annual General Meeting of the Company in 2010 and, if applicable, every third year thereafter, to consider and vote on a special resolution that the Company be wound up voluntarily. As set out in the Chairman's Statement it is proposed to remove this requirement as part of the adoption of the new Articles of Association.

## Business review

A full review of the business over the financial year, together with its prospects, is set out in the Chairman's Statement on pages 3 and 4 and in the Manager's Report on pages 5 to 7. Arrangements for the management of the investment portfolio and the administration of the Company are explained in the Corporate Governance Report on pages 15 to 17 and in note 3 to the financial statements.

The Directors believe that the principal risk faced by the Company is the loss of its approval as a venture capital trust arising from a breach of the requirements of section 274 of the Income Tax Act 2007. This would mean that shareholders might have to repay the income tax relief they obtained on their investment in the Company and that the Company would lose its exemption from tax on any capital gains. The Manager reports to the Board at each meeting on the Company's compliance with section 274 of the Income Tax Act 2007 and the Board is advised on VCT issues by PricewaterhouseCoopers LLP.

Other significant risks include a serious or prolonged fall in the stock market which would affect the Company's performance and value; consistent underperformance by the Manager; and the Company's shares failing to achieve a rating which reflects performance. The Board seeks to mitigate these risks by monitoring the Manager's performance at each board meeting and discussing appropriate action where considered necessary. The Board considers the two most appropriate key performance indicators for the Company are its compliance with the requirements of Section 274 of The Income Tax Act 2007 in order to maintain approval as a venture capital trust and the net asset value per share. The key performance indicators are quantified and discussed on page 3 within the Chairman's Report and on page 5 within the Manager's Report respectively. A five year summary of the net asset value per share is also provided on page 2.

As described on page 15 of the Corporate Governance Report the day to day running of the Company is delegated to the investment manager and there are no employees. For these reasons the Company has not disclosed information regarding Company employees, environmental matters or social and community issues. An indication of likely future developments in the business of the Company is included on page 4 in the Chairman's Report and on pages 6 to 7 in the Manager's Report. Summary details regarding the acquisition of own shares can be found on page 4 in the Chairman's Report and in note 10 to the financial statements.

## Results and Dividend

The loss after taxation of the Company for the year was £2,912,000. The Directors propose the payment of a final dividend of 3.0 pence per share in addition to the interim dividend of 1.0 pence per share and a special dividend of 3.0 pence paid during the year.

## Directors' Interests

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

	29 February 2008	28 February 2007
W. M. Cran	17,813	17,813
B. A. Anysz	86,000	82,656
R. G. Battersby	68,733	68,733
P. C. Smart	29,745	29,745

There have not been any changes in directors' interests between the year end and the 19 June 2008.

W. M. Cran and R. G. Battersby retire from the Board by rotation and being eligible offer themselves for re-election at the Annual General Meeting.

## Creditor Payment Policy

It is the Company's present policy and intention for the forthcoming year to comply with the terms of payment agreed

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with its suppliers. Where payment terms are not negotiated, the Company endeavours to adhere to suppliers' standard terms. The average period taken to settle supplier balances during the year to 29 February 2008 was 40 days (2007: 35 days).

## Charitable and Political Donations

The Company made no contributions to charities or political parties during either the current or the prior year.

## Manager

Rensburg Sheppards Investment Management Limited ('RSIM'), which is a wholly owned subsidiary of Rensburg Sheppards plc, 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 Sheppards Investment Management Limited and Rensburg Fund Management Limited, which are related parties, amounted to £680,929 (2007: £740,427) in the year including VAT. The outstanding balance accruing to RSIM at the year end was £281,779 (2007: £189,919).

During the year the Company purchased for a cost of £500,024 a qualifying investment in Essentially Group Limited, a company for which Richard Battersby acts as a Non-executive Director.

## Shareholdings and Voting Rights

Details of the Company's Capital Structure and share buy-backs can be found in note 10 to the accounts and within the Chairman's Statement on page 4.

## Substantial Shareholdings

We have been notified that Rensburg Sheppards Investment Management Limited has an indirect interest in 8,111,656 voting rights of the Company. This represents 19.38% of the Company's total voting rights. All of these shares are held in nominee companies which are entirely owned by Rensburg Sheppards Investment Management Limited.

## Annual General Meeting ('AGM')

The ordinary business includes resolutions to re-elect, W. M. Cran and R. G. Battersby who have been non-executive directors for three years. The Board recommends that shareholders vote for their re-appointment.

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 £204,606 which represents 10% of the total ordinary share capital in issue. The authority given will expire on the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 6 months after the end of the Company's current financial year.

In addition, a resolution is proposed to authorise the Company to purchase up to 10% of 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 8 of the Notice of Annual General Meeting. 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 authority given

will expire on the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 6 months after the end of the Company's current financial year.

A further resolution is proposed to accept a new set of articles which reflect changes in the Companies Act 2006. A summary explanation of the changes made has been attached with the notice of Annual General Meeting.

## 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 AGM.

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

## By order of the Board

**P. M. Rooke**  
Secretary

30 May 2008