

Directors' Report

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The Directors present their report and audited financial statements for the year to 28 February 2009.

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 On 7 August 2001 the registration was revoked to give the Company trading status which allows it to distribute realised capital gains and purchase its own shares by using a new reserve which was created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

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 2 and 3 and in the Manager's Report on pages 4 to 5. Arrangements for the management of the investment portfolio and the administration of the Company are explained in the corporate governance report on pages 13 to 15 and in note 4 to the financial statements.

Significant risks and uncertainties

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 2 within the Chairman's report and on page 4 within the manager's report respectively. A five-year summary of the net asset value per share is also provided on page 33.

As described on page 13 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 3 in the

Chairman's report and on page 5 in the Manager's report. Summary details regarding the acquisition of own shares can be found on page 2 in the Chairman's report and in note 11 to the financial statements. The only essential contract the Company has entered into is the management agreement which is discussed on page 12 of the Directors' Report.

Results and Dividend

The loss after taxation of the Company for the year was £9,395,000. The Directors propose the payment of a final dividend of 2.0 pence per share in addition to the interim dividend of 1.0 pence per share 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:

	28 February 2009	29 February 2008
W. M. Cran	17,813	17,813
B. A. Anysz	90,000	86,000
R. G. Battersby	78,733	68,733
P. C. Smart	29,745	29,745

There have not been any changes in directors' interests between the year end and 16 June 2009.

B. A. Anysz and P. C. Smart 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 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 28 February 2009 was 46 days (2008: 40 days).

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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 4 to the financial statements.

Related Parties

Fees paid by this Company for investment management services provided by Rensburg Sheppards Investment Management Limited and Rensburg Fund Management Limited, which are related parties, amounted to £346,368 (2008: £680,929) in the year including VAT where applicable. The outstanding balance accruing to RSIM at the year end was £3,096 (2008: £281,779).

During the year the Company purchased for a cost of £440,012 (2008: £500,024) a second qualifying investment in the ordinary share capital of Essentially Group Limited, a company for which Richard Battersby acts as a non-executive director. No amounts were outstanding at 28 February 2009 (2008: Nil). As at 28 February 2009 Richard Battersby held 0.3% (2008: 0.2%) of the ordinary shares of Essentially Group Limited. Fees paid by Essentially Group Limited in respect of Richard Battersby acting as a non-executive director amounted to £25,000 for the year to 31 December 2008 (2007: £20,000).

During the year Walker Morris, a law firm for which Peter Smart acts as Chairman, provided legal services to the Company totalling £13,885 (2008: £4,065). £7,188 was outstanding at 28 February 2009 (2008: £Nil).

Shareholdings and Voting Rights

Details of the Company's Capital Structure and share buy-backs can be found in note 11 to the accounts and within the Chairman's Statement on page 2.

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 19.90% 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. At 12 June 2009 no other notifications had been received.

Annual General Meeting ('AGM')

The ordinary business includes resolutions to re-elect, B. A. Anysz and P. C. Smart who have both been non-executive directors for ten years. In accordance with the Combined Code the re-election of non-executive directors who have served on the board for more than six years, has been the subject of a rigorous review. The board believes, following review that both B. A. Anysz and P. C. Smart continue to be effective in their roles and have demonstrated continued commitment to the company. 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 £203,841 which represents 10% of the total ordinary share capital in issue. The Directors do not have any present intention of exercising such

authority and the authority will expire at the conclusion of the next AGM after the passing of the proposed resolution.

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 9 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 will expire at the conclusion of the next AGM after the passing of the proposed resolution.

Further resolutions are proposed to:

- Authorise a general meeting other than an annual general meeting to be called on 14 days' notice.
- Authorise a capital reduction exercise to be performed in order to increase the distributable reserves of the Company.

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

19 May 2009