

# **ViCTory VCT PLC**

(formerly known as Singer & Friedlander AIM 3 VCT PLC)

## **REPORT AND FINANCIAL STATEMENTS**

for the year ended 31st January 2010



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# Overview

## Corporate objective

The objective of ViCTory VCT PLC (the "Company") is to provide shareholders with an attractive and competitive investment return from a portfolio of companies whose shares are primarily traded on the Alternative Investment Market ("AIM"). The Manager's continuing objective is to manage the current portfolio so as to maximise returns for investors for the qualifying period and beyond.

## Key data

	31 January 2010	31 January 2009
Total net assets	£17,802,541	£19,198,113
Net asset value per share ("NAV")	42.43p	44.46p
Share price	32.75p	28.25p
Market capitalisation	£13.74m	£12.20m
Share price discount to NAV	22.81%	36.46%
NAV per share plus cumulative dividends paid to date	52.18p	54.21p
Total return for year	-4.56%	-39.98%
Return on FTSE AIM All-Share Total Return Index during the year	67.02%	-57.61%
Total return since inception	-50.03%	-47.64%
Return on FTSE AIM All-Share Total Return Index since inception	-49.60%	-69.82%
Total dividends for the year	£nil	£1,117,166
Dividend per ordinary share (paid in the year)	nil	2.50p
Qualifying investments of the current investment portfolio	83.06%	80.23%
Total dividends paid to date	9.75p	9.75p

## Highlights

- Very disappointing result for the year.
- Name change to ViCTory VCT PLC.
- Appointment of Amati Global Investors as fund manager after the year end.
- Recommendation to introduce more active non-qualifying investment strategy.

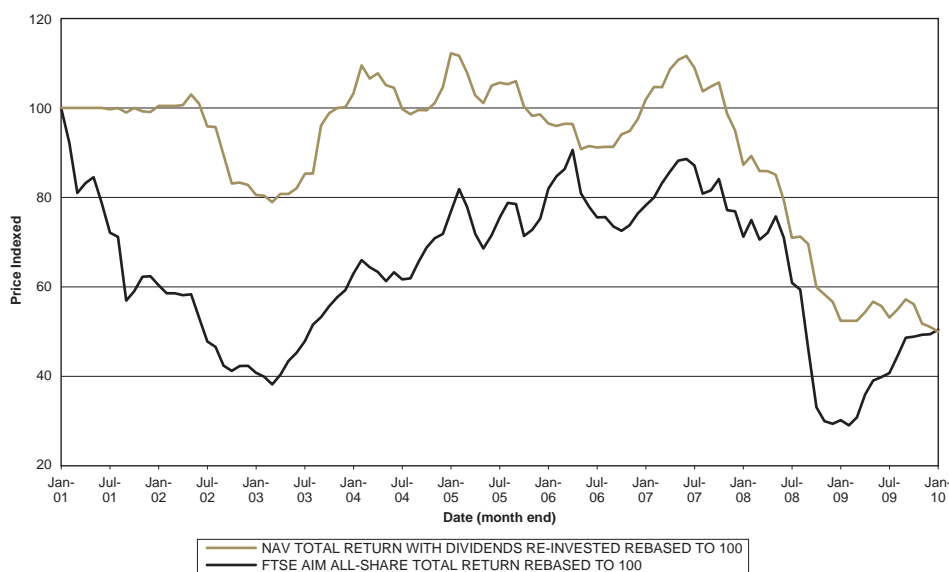
### Table of investor returns

	Launch date	NAV total return with dividends re-invested	NAV total return with dividends not re-invested	FTSE AIM All-Share total return index
ViCTory VCT	29 January 2001	-50.03%	-45.07%	-49.60%
Singer & Friedlander AIM VCT	28 September 1998	-73.85%	-44.26%	-13.55%
Singer & Friedlander AIM 2 VCT	29 February 2000	-61.71%	-56.45%	-73.31%
Singer & Friedlander AIM 3 VCT ('C' shares)	4 April 2005	-45.20%	-41.46%	-35.03%

### Dividends paid since launch

Year ended 31 January	Ordinary share		
	Total annual dividend p	Cumulative dividends p	Average total annual dividend p
2002	0.00	0.00	0.00
2003	1.70	1.70	0.85
2004	0.80	2.50	0.83
2005	0.25	2.75	0.69
2006	0.50	3.25	0.65
2007	0.00	3.25	0.54
2008	4.00	7.25	1.04
2009	2.50	9.75	1.22
2010	0.00	9.75	1.08

### Fund performance



# Chairman's Statement

## Introduction

As at the date of the Company's Annual Report, the Board is considerably more optimistic than it was when the financial year ended 31 January 2010 closed. At the end of January, we were aware that the year had seen further disappointing performance for our shareholders and we had taken the decision to seek a new fund manager; as I write, the Board has appointed Amati Global Investors ("Amati") having been both impressed and encouraged by their proposals for the management of the Company's funds. Amati has written the Investment Portfolio Commentary which immediately follows this Statement and the Board has asked Amati to write to our shareholders outlining its proposed investment strategy. Regrettably, there is no "quick fix" but the Directors believe a significant step has been taken towards securing improved performance.

The Board has also asked Amati to undertake a thorough review of the Company's costs and to prepare, for the Board's consideration, proposals for much improved communication with ViCTory's shareholders. As early evidence of this intent, Amati will be making a presentation at the forthcoming annual general meeting on the future investment strategy for ViCTory.

## Financial Performance & Dividends

A summary of the key financial data is given on page 2 and a graph of fund performance since inception tracked against the FTSE AIM All-Share Total Return Index is presented on page 3.

The total loss for the year was £972,414 or 2.27 pence per share (2009: loss of £14,067,134 or 31.92 pence per share). Shareholders' funds reduced to £17,802,541 (2009: £19,198,113) as a result of a combination of the loss for the year and the effect of the Company's buy back programme.

ViCTory will continue to repurchase its own shares from time to time as appropriate and within the powers granted at the annual general meeting.

The Board are not recommending the payment of a final dividend.

## Investment Performance

In the year ended 31 January 2010, global stock markets rose sharply as governments bailed out financial institutions and central banks pumped liquidity into the system on an unprecedented scale. Having fallen less fast than the FTSE AIM All-Share Total Return Index in the year to 31 January 2009, I am sorry to report that the net asset value ("NAV") of the Company did not participate in the bounce of the wider market during the year to 31 January 2010. This was due in no small part to a number of our largest positions being wiped out completely, including one of our long standing qualifying investments with a large market capitalisation and supposedly substantial profitability, Aero Inventory, as well as our largest unquoted investment, U4EA. Recognising the serious disappointment that this overall result would be to shareholders, and with the ambition of improving the long term performance of the Company, the Board determined in October 2009 that a new fund manager should be appointed. Agreement has also been reached with the then investment manager, Williams de Broë, that it would waive its notice period. The Board is grateful to Williams de Broë for this decision.

After a formal selection process, Amati Global Investors ("Amati") was appointed in March 2010. Dr Paul Jourdan and Douglas Lawson, the two founders of Amati, have extensive experience of managing AIM VCTs. Dr Jourdan founded the First State AIM VCT in 2005, which has gone through difficult markets to establish one of the best track records amongst AIM VCTs, as well as being one of the most shareholder friendly. When he moved to Noble Fund Managers in 2007 the name was changed to Noble AIM VCT. In January of this year Dr Jourdan and Mr Lawson led the acquisition of Noble Fund Managers and re-named it Amati Global Investors.

One of the reasons for the appointment of Amati by the Board is the active and extensive non-qualifying investment policy exemplified by Noble AIM VCT. This allows the fund manager to invest in small and mid-sized company shares quoted in London on both the main market and on AIM with a view to complementing the qualifying portfolio. For example, it is often cited by AIM VCT managers that they have no investments in the resources sector, and hence cannot match the performance of the FTSE AIM All-Share Index in this regard, where resources are heavily represented. Noble AIM VCT has been able to invest widely in the resources sector over the past five years from the non-qualifying portfolio, albeit not with the same level of weighting as the FTSE AIM All-Share Index. Similarly, it has been able to direct a portion of the portfolio at the higher growth economies in the Far East.

For this reason the Board is proposing a change to the investment mandate of ViCTory VCT for approval by shareholders at the AGM to allow it to be run along similar lines to Noble AIM VCT in respect of its non-qualifying investments in equity and debt instruments.

The Board also believes that Amati have a good understanding of what has gone wrong for many AIM VCTs and have a credible strategy for making qualifying investments which will avoid many of the pitfalls experienced by ViCTory over the past year.

#### **Corporate Developments**

Dominic Wheatley resigned as a Director of the Company during September 2009 as a result of relocating to the United States for business reasons. The Board would like to thank him for his contribution to the running of the Company.

As a consequence of the appointment of Amati, the Board also appointed a new company secretary, The City Partnership (UK) Limited ("City"). City acts for a number of other VCTs and is independent of any fund manager.

The annual general meeting will be held at 120 Old Broad Street at 3pm on Tuesday 15 June 2010. The new Manager will be making a presentation to shareholders at the AGM and the Board would welcome the opportunity given by both the meeting and the presentation for discussion with, and comments from, shareholders.

#### **Outlook**

Amati has settled into its role quickly and the Board will be working closely with Paul Jourdan and Douglas Lawson to improve the Company's investment performance, formalise a dividend policy, reduce ViCTory's cost base and improve shareholder communication. As one of the steps towards this goal, the Board recommends that the Company's shareholders vote in favour of the revised investment policy which is being put to the annual general meeting.

Should you have any questions about your investment in ViCTory, please do not hesitate to contact City in the first instance either by telephone (0131 243 7210) or email (VCT-enquiries@amatiglobal.com).

**C J L Moorson**  
**Chairman**  
**ViCTory VCT PLC**  
**19 May 2010**

# Investment Portfolio – Commentary and Outlook

## Performance

During the year under review the Company saw a NAV total return of -4.6% whilst the FTSE AIM All-Share Total Return Index showed a rise of 67.0%. During the second half of the year the NAV fell by 5.9%, whilst the FTSE AIM All-Share Total Return Index rose by 23.8%. Shareholders who invested in any of the original share issues can track their returns to date on the table given on page 3.

There were three principal reasons for the under-performance during the year. The first and most damaging was the failure or writing off of seven material investments, including the largest quoted investment and the two largest unquoted investments. The quoted stocks written off (in order of size of impact) were **Aero Inventory**, **Relax Group**, **Smallbone** and **Pubs 'N' Bars**. The unquoted stocks written off were **U4EA**, **Lilestone Holdings**, and **Imagesound**. On the unquoted side, this was largely the catch up effect of the credit crunch which impacts quoted stocks more immediately because the prices are transparent and tend to reflect the changing climate much faster. On the quoted side, Smallbone and Pubs 'N' Bars had already been hit hard last year. Aero Inventory and Relax Group, however, both involved accounting irregularities and, in the former case, gave rise to allegations of fraud. The scale of these write downs neutralised the successes elsewhere in the portfolio. The five largest made a negative contribution roughly equal to the top nineteen gainers in the portfolio.

Aero Inventory was the single largest equity investment held by the Company a year ago, representing over 6% of the portfolio. In September it announced it was preparing to move to the Official List, and delayed its results to the last possible date, 28 October, as a result. However, on 26 October 2009, the company announced the suspension of its shares, having been unable to publish its annual accounts for 30 June 2009. The company blamed new systems which picked up problems with the valuation of inventory acquired during their financial year 2008. It foresaw a material impact on the 2008 and 2009 accounts. By not publishing results, the company also put itself in breach of its loan covenants. On 3 November the company announced that the issues went wider than first thought. The following day the finance director resigned. A week later the banks had lost confidence in the company, refused to provide any short term financing, and an administrator was appointed. The details of this rapid demise of a company, which was supposedly one of AIM's success stories, are not yet clear. At the end of February 2010 the Serious Fraud Office began an investigation into the affairs of the company. Whilst the company reported a net profit of \$51.6m for the year to June 2008 talking about 'record results' and being 'excellently positioned', there was an operating cash outflow of \$223.4m, and a massive increase in debt which received less attention. In the interims the company reported net profit of \$22.7m and an operating cash outflow of \$50.2m, together with another big jump in net debt. Such mismatches tend not to end prettily. Whilst often beguiling with their apparently low price-to-earnings ratios, companies where the reported profits are completely divorced from cash flow will not form part of the portfolio going forwards.

Relax Group, although a very different type of business to Aero Inventory, shared with it the same feature of reporting cashless profits. In this case the profits derived from an aggressive revenue recognition policy, which in some cases would book profits 3-4 years before the cash payments were likely to be received. This rapidly created a large and problematic debtor book. Meanwhile, when the company reported positive operating cash flow in December 2008, it was more than wiped out by a mysterious cash outflow for 'acquisition of intangible assets'. It emerged in the interims that these intangibles were in fact data purchases from specialist lead providers, which were used by Relax Group to contact potential customers. The group had no exclusivity arrangements for this data, or any ownership of these prospective customers. The company therefore had little control over future economic benefits from this data and these costs should, in our view, have been expensed as incurred, instead of capitalised. Prior to the collapse of the company a new CEO was appointed, but unfortunately too late to salvage the situation.



The two most significant unquoted holdings which have been written down to zero are U4EA (2.5% of the portfolio a year ago) and Lilestone Holdings (4.1% of the portfolio a year ago, which has been written down following a review by Amati resulting in an adjustment to the initially reported year end NAV from 44.02p to 42.43p). ViCTory VCT had not offered further funding to U4EA over the last two years, and following the withdrawal of support from its major shareholder, the company was forced to appoint an administrator. Lilestone Holdings, which manufactures a range of lingerie products, has been consistently losing money and is in need of yet another round of financing. Amati do not propose to offer any follow on funding and has taken the view that the existing holding is of questionable value until the nature of the next financing round becomes clear. Imagesound, a much smaller holding, has also been written down following a review by Amati. The company de-listed in 2008 after borrowing heavily to fund acquisitions. Amati have taken the view that the de-listing, coupled with a broader cost cutting exercise, is unlikely to give the company adequate cash flows to service its debts. It is nonetheless possible that some value can be retrieved from both Lilestone Holdings and Imagesound in the future, and Amati will look for all possible ways to achieve this.

The second contributor to underperformance during the year was the high level of cash and fixed interest balances held by the Company during a period of ultra-low interest rates. Yields on short and medium term UK Government bonds moved little during the year, staying close to the 1% level. The Board is looking to address this issue going forwards with the proposed changes to the non-qualifying investment mandate outlined in the Chairman's Statement above.

The third main contributor to underperformance was both the lack of exposure to the strongest performing sector on AIM during 2009, namely natural resources, and more generally a dearth of clear winners in the qualifying portfolio. Natural resources accounts for over 30% of the FTSE AIM All-Share Index, and according to the RBS Hoare Govett Index 2010 study, this sector accounted for almost all of the difference in performance in 2009 between the FTSE AIM All-Share Total Return Index which gained 67.0%, and the FTSE All-Share Total Return Index which gained 33.2%. The biggest positive contribution during the year came from **Green Compliance**, a share issue subscribed for only in December, which rapidly rose to a 100% premium. Other positive contributors, in order of magnitude, were **Synergy Health**, a large and long-standing position, which rebounded strongly; **Lo-Q**, which sells a queue-busting device to theme park visitors in Europe and the US and has recently seen trading pick up sharply and has managed to expand its customer base significantly; **Zytronic**, the touch screen technology company, which has been making good trading progress; **Symphony Environmental Technologies**, the manufacturer of degradable plastic, which finally turned profitable in 2008 and saw good growth in 2009; and **AssetCo**, the provider of fire engines and fire backup services, which entered into a new ten year joint venture with the Abu Dhabi government for the construction of a new fire training facility.

### Portfolio Activity

Nine new qualifying investments were made during the year. The largest were **Green Compliance**, a newly formed company headed by a senior manager from Connaught, for acquiring support services companies in the fields of water and fire safety equipment and inspection, and pest control; **Kiotech International**, which supplies high performance natural feed additives to enhance health, growth and sustainability in agriculture and aquaculture internationally; and **Savile Group**, a small outplacement business. Other significant new holdings were **Synchronica**, **Hightex Group**, **Lipoxen**, **Omega Diagnostics Group**, **Freshwater UK** and **LiDCO Group**. Descriptions of each of these are given later in the report.

## **Outlook**

The past two years have taught investors the virtues of caution, and many missed much of last year's rally by being reluctant to re-enter the stock market. For these investors the relentless rise in markets is inexplicable and unjustified. However, in the absence of contagion from the Greek crisis it looks as if the exceptionally loose monetary conditions will continue to drive growth and some further progress from stock markets, albeit far less rapidly than last year.

From the perspective of the UK it is easy to feel gloomy. The recession here lasted for 18 months, longer than any other country in the G7. Government spending has run way ahead of GDP, rising from 44% of GDP in 2006 to 52% in 2009 according to the OECD. In February, IMF forecasts suggested that 2010 will see UK government borrowing as a percentage of GDP running at the highest level of any country in the G20. On the plus side, however, we have an open and flexible economy, and have come through many crises before. We also have the benefit of our own currency, which helps act as a safety valve. The new coalition government looks set to make deficit reduction a high priority. In doing so it will have extraordinary demands of leadership made upon it. In the meantime we will be seeking out strong and well financed niche businesses in the UK. We like those that can offer real efficiency savings to the public sector. In addition we would also like to include exposure to earnings streams outside the UK, especially in the Far East, with a focus on the fast growing domestic economies of China and India. These are very under-represented in the ViCTory portfolio at present.

**Dr Paul Jourdan**  
**CEO and Founder**  
**Amati Global Investors**  
**19 May 2010**

# Investment Portfolio Summary

AIM Quoted Companies	Sector	Nature of business	Purchase cost £	Valuation at 31 January 2010 £	Percentage of net assets %
1st Dental Laboratories*	Healthcare equipment & services	Provider of dental laboratory products	450,000	52,000	0.29
Arcotech Group <sup>†</sup> (formerly Knowledge Technology Solutions)	Software & computer services	Software products and services for real-time financial market data processing and trading	445,878	205,507	1.15
AssetCo*	Support services	Provision of equipment and services to the emergency and rescue services	508,091	409,175	2.30
Autoclenz Holdings*	Support services	Car valeting and vehicle preparation services	131,440	37,592	0.21
Avingtrans*	Industrial engineering	Provider of precision engineering components and services	528,333	176,167	0.99
Bright Things*	Leisure goods	Development of interactive software products	686,240	300,000	1.68
Cello Group*	Media	Market research, brand advertising, and direct marketing and database management	257,625	76,500	0.43
Clerkenwell Ventures	Financial services	Investment company formed to acquire businesses in the leisure sector	81,313	51,239	0.29
Conexion Media Group* (formerly Music Copyright Solutions)	Media	Music administration and film and television production and rights management	268,750	14,228	0.08
Coolabi*	Media	Specialises in the ownership and development of high quality children's and family intellectual property assets	361,506	193,941	1.09
Ebiquity*	Media	Provider of marketing analytics services via innovative systems and consultancy	729,005	186,570	1.05
Expansys*	General retailers	Leading retailer and distributor of smartphones and handheld devices to retail and corporate customers	449,500	91,063	0.51
First Artist Corporation*	Media	Media services and entertainment management group	804,265	284,871	1.60
Formation Group	Real estate investments & services	Provision of construction management services	504,172	113,272	0.64
Freshwater UK*	Media	Integrated PR and marketing	195,840	119,680	0.67
Fulcrum Pharma*	Pharmaceuticals & biotechnology	Offering global virtual drug development and strategic outsourcing services to the pharmaceutical industry	379,532	143,510	0.81
Glisten*	Food producers	Snack foods group focused on health, nutrition and premium impulse food	220,000	211,750	1.19
Green Compliance*	Support services	Vehicle for acquisitions in integrated business compliance	400,005	800,000	4.49
Hightex Group*	Construction & materials	International company in the field of tensile fabric engineering for roofing and façade structures	300,005	364,286	2.05
Huveaux*	Media	The creation, development and distribution of information to business and professional markets	595,868	155,000	0.87
IDOX*	Software & computer services	Provider of software solutions and services to Local Authorities, specialising in document and content management	270,500	360,667	2.02
ILX Group*	Support services	Providers of best practice and financial training through traditional courses, paper-based training and innovative electronic based training	474,965	237,984	1.34
Individual Restaurant Company <sup>†</sup>	Travel & leisure	Operation of stylish brasserie type restaurants	151,998	30,444	0.17
Intelligent Environments Group <sup>†</sup>	Software & computer services	Provision of online software products for the credit card and investment markets	219,792	428,406	2.41
Just Car Clinics Group*	General retailers	Independent chain of car repair centres	95,865	135,338	0.76
Kiotech International	Pharmaceuticals & biotechnology	Supplier of feed additives and nutritional products to aquaculture and agriculture markets	402,001	466,667	2.62
LiDCO Group*	Healthcare equipment & services	Manufactures and sells real-time cardiovascular monitoring equipment	185,000	323,750	1.82
Lipoxen*	Pharmaceuticals & biotechnology	Provider of specialist delivery solutions to improve the efficacy and performance of drugs and vaccines	238,001	280,000	1.57
Lo-Q*	Travel & leisure	Development and application of virtual queuing technologies for theme parks	747,500	560,625	3.15
Mediwatch <sup>†</sup>	Healthcare equipment & services	Development and supply of primary care products used in the diagnosis of urological disorders and prostate cancer	1,138,045	880,788	4.95

AIM Quoted Companies (cont.)	Sector	Nature of business	Purchase cost £	Valuation at 31 January 2010 £	Percentage of net assets %
Mount Engineering*	Industrial engineering	Engineering company specialising in thread converting adaptors and valves, supplying the oil, gas and petrochemical industries	409,277	350,809	1.97
NeutraHealth*	Food producers	Sale and distribution of nutraceutical products	279,470	127,757	0.72
Omega Diagnostics Group*	Healthcare equipment & services	Provider of in vitro diagnostics products	200,000	280,000	1.57
Payzone	Support services	Payment processing and cash distribution	645,994	4,812	0.03
Petards Group*	Support services	Development and provision of security systems and monitoring equipment, CCTV, visual alarm systems and mobile data terminals	82,860	44,192	0.25
Prezzo*	Travel & leisure	Italian restaurant operators	171,221	503,250	2.83
Quadnetics Group*	Support services	Development, design, integration and management of advanced surveillance technology and security networks	341,381	199,418	1.12
RTC Group*	Support services	Specialists in recruitment, training and consultancy	220,375	69,875	0.39
Savile Group*	Support services	UK human resources consulting group	402,000	222,000	1.25
Symphony Environmental Technologies*	General industrials	Supply of environmental polythene products	460,339	273,673	1.54
Synchronica*	Software & computer services	Specialists in next generation mobile messaging with focus on emerging markets	350,000	385,000	2.16
Tanfield Group*	Industrial engineering	Powered access and zero emission vehicles	286,214	61,050	0.34
Tasty*	Travel & leisure	Restaurant operator	540,377	187,125	1.05
The Clapham House Group*	Travel & leisure	Operation of restaurants and food delivery outlets	395,992	184,723	1.04
The Real Good Food Company*	Food producers	Manufacturer and supplier of prepared foods	596,112	34,317	0.19
Tikit Group*	Software & computer services	Provision and maintenance of information technology products and solutions, predominantly in the legal sector	400,000	441,739	2.48
UBC Media Group*	Media	Provision of audio and data services to the radio industry	663,754	111,662	0.63
Xploite*	Software & computer services	Provision of high performance network services to the public and private sectors	88,203	48,831	0.27
Zytronic*	Electronic & electrical equipment	Manufacture of optical filters to enhance electronic display performance	610,958	451,765	2.54
			<b>19,365,562</b>	<b>11,673,018</b>	<b>65.57</b>

Fully listed Companies	Sector	Nature of business	Purchase cost £	Valuation at 31 January 2010 £	Percentage of net assets %
Connaught†	Support services	Provision of integrated asset management and compliance services	567,698	739,662	4.15
Synergy Health*	Healthcare equipment & services	Provision of healthcare products and services	250,250	1,019,700	5.73
			<b>817,948</b>	<b>1,759,362</b>	<b>9.88</b>
PLUS Markets traded Companies	Sector	Nature of business	Purchase cost £	Valuation at 31 January 2010 £	Percentage of net assets %
Award International Holdings*	Media	Suppliers of promotional goods and services, corporate hospitality, event management and corporate travel	209,990	210	–
			<b>209,990</b>	<b>210</b>	<b>–</b>
Unquoted Companies	Sector	Nature of business	Purchase cost £	Valuation at 31 January 2010 £	Percentage of net assets %
Optimisa*	Media	Marketing services business positioned between large management consultancies and traditional market research and intelligence providers	403,000	18,600	0.11
Sportsweb.com*	Support services	Fitness and leisure recruitment company	352,128	316,915	1.78
			<b>755,128</b>	<b>335,515</b>	<b>1.89</b>
Loan stock in AIM Quoted Companies	Sector	Nature of business	Purchase cost £	Valuation at 31 January 2010 £	Percentage of net assets %
Advanced Power Components Loan Stock	Electronic & electrical equipment	Independent distributor of specialist electronic components	100,000	100,000	0.56
			<b>100,000</b>	<b>100,000</b>	<b>0.56</b>
UK Government loans			Purchase cost £	Valuation at 31 January 2010 £	Percentage of net assets %
Treasury 2.25% Stock 7/3/2014			3,306,347	3,351,686	18.83
Treasury 4.25% Stock 7/3/2011			630,534	674,954	3.79
			<b>3,936,881</b>	<b>4,026,640</b>	<b>22.62</b>

Investments held at nil valuation <sup>†</sup>	Sector	Nature of business	Purchase cost £	Valuation at 31 January 2010 £	Percentage of net assets %
Aero Inventory*	Aerospace & defence	Procurement and inventory management for the aerospace industry	1,289,924	–	–
Aquabella Group*	Food producers	Aquaculture business involved in the farming of Barramundi in an indoor facility based in the New Forest	440,500	–	–
Aquabella Group Loan Stock*	Food producers	Aquaculture business involved in the farming of Barramundi in an indoor facility based in the New Forest	75,000	–	–
Camaxys	Software & computer services	Provision of health and safety software supply, consultancy and maintenance	254,825	–	–
Chromogenex*	Healthcare equipment & services	Designer of laser systems for aesthetic appliances	13,875	–	–
Conder Environmental*	Industrial engineering	Water and wastewater pumping solutions	385,241	–	–
Flexbenefits*	Software & computer services	Employee benefits and financial services	681,828	–	–
Global Money Transfer Loan Notes	General financial	Money transfer service	300,000	–	–
ID Data*	Electronic & electrical equipment	Provision of secure card-based transaction systems and services using a range of smart and magnetic card solutions	1,089,736	–	–
Imagesound*	Media	Suppliers of in-store music, radio and TV services to the branded retail and leisure sectors	92,188	–	–
Infonic*	Software & computer services	Software solutions, including document management, internet intelligence and text analysis	1,395,327	–	–
Lilestone Holdings*	General retailers	Lingerie design and retail	978,655	–	–
Lilestone Holdings Loan Stock*	General retailers	Lingerie design and retail	260,000	–	–
Medal Entertainment & Media <sup>†</sup>	Media	Acquiring and exploiting intellectual property rights in TV and DVD	653,679	–	–
Ovidia Investments*	Media	Marketing services group focusing on communication, design and advertising	518,312	–	–
Playgolf Holdings*	Travel & leisure	Golf course and driving range management	255,000	–	–
Pubs 'N' Bars*	Travel & leisure	Operation of pubs in London and the West of England	281,813	–	–
Recycled Waste*	Support services	Environmental control	374,994	–	–
Relax Group*	General financial	Provider of a range of financial services, including IVAs, debt management solutions and loans to over-indebted individuals	750,000	–	–
Ringprop*	Industrial engineering	Developer of marine propeller technology	366,999	–	–
Smallbone*	General retailers	Design, manufacture, sale and installation of fitted kitchens, bedrooms and bathrooms	293,220	–	–
Stanhope Telecom*	Telecommunications	Telecom products	500,000	–	–
The Food & Drink Group <sup>†</sup>	Travel & leisure	Restaurant and bar proprietor	78,513	–	–
Torex Retail*	Software & computer services	Independent provider of point of sale software, systems and services and productivity tools	694,691	–	–
U4EA*	Technology hardware & equipment	Data transfer management	2,303,121	–	–
Vianet Group*	Support services	Developed a system which facilitates the collection, management, processing and control of data from remote sources	1,069,990	–	–
			<b>15,397,431</b>	<b>–</b>	<b>–</b>

<sup>†</sup> The Directors consider it appropriate to value these companies at zero. With the exception of Camaxys, Global Money Transfer, Medal Entertainment & Media (partial) and The Food & Drink Group (partial) they count towards the VCT investment test, which states that 70% of the Company's assets will be invested in VCT qualifying investments.

All investments listed on pages 9 to 12 are incorporated in the UK.

\* Qualifying holdings.

<sup>†</sup> Part qualifying holdings.

All investments are in ordinary shares unless otherwise stated.

Summary	Purchase cost £	Valuation at 31 January 2010 £	Percentage of net assets %
Total qualifying portfolio*	19,213,411	12,646,657	71.04
Total non-qualifying portfolio	5,972,099	5,248,088	29.48
Investments held at nil valuation	15,397,431	-	-
<b>Subtotal</b>	<b>40,582,941</b>	<b>17,894,745</b>	<b>100.52</b>
Net current liabilities	-	(92,204)	(0.52)
<b>Total</b>	<b>40,582,941</b>	<b>17,802,541</b>	<b>100.00</b>

\* The figure of 71.04% simply shows the share of total market values represented by qualifying holdings. The figure calculated in accordance with the requirements of the VCT legislation is 83.06% (2009: 80.23%).

## Table of largest ten investments by value

Name of company	Percentage of net assets %	Percentage held by Company %	Profit/(loss) before tax £000's	Retained profit/ (accumulated loss) £000's	Net asset value £000's	Accounting reference date
Treasury 2.25% Stock 7/3/2014	18.83	-	-	-	-	-
Synergy Health	5.73	0.46	16,332	35,905	252,788	29/03/2009
Mediwatch	4.95	8.41	425	(11,375)	5,214	31/10/2009
Green Compliance	4.49	3.90	(263)	(3,968)	(1,697)	31/03/2009
Connaught	4.15	0.38	26,700	56,400	167,500	31/08/2009
Treasury 4.25% Stock 7/3/2011	3.79	-	-	-	-	-
Lo-Q	3.15	4.70	2,389	(8)	5,303	31/10/2009
Prezzo	2.83	1.58	3,881	18,079	51,683	28/12/2008
Kiotech International	2.62	3.17	482	335	7,536	31/12/2008
Zytronic	2.54	1.46	2,300	3,372	9,998	30/09/2009

The figures relating to profit/(loss) before tax; retained profit/(accumulated loss) and net asset value are taken from the most recently available audited accounts of the underlying companies.

The aggregate value of these top ten holdings is £9,449,097.

## Sector analysis

Sector	Purchase cost £	Valuation at 31 January 2010 £	Percentage of net assets %
UK Government loans	3,936,881	4,026,640	22.62
Support services	4,126,937	3,081,625	17.31
Healthcare equipment & services	2,223,295	2,556,238	14.36
Software & computer services	1,774,373	1,870,150	10.49
Travel & leisure	2,007,088	1,466,167	8.24
Media	4,489,603	1,161,262	6.53
Pharmaceuticals & biotechnology	1,019,534	890,177	5.00
Industrial engineering	1,223,825	588,026	3.30
Electronic & electrical equipment	710,958	551,765	3.10
Food producers	1,095,582	373,824	2.10
Construction & materials	300,005	364,286	2.05
Leisure goods	686,240	300,000	1.68
General industrials	460,339	273,673	1.54
General retailers	545,365	226,401	1.27
Real estate investments & services	504,172	113,272	0.64
Financial services	81,313	51,239	0.29
Investments held at nil valuation	15,397,431	-	-
<b>Subtotal</b>	<b>40,582,941</b>	<b>17,894,745</b>	<b>100.52</b>
Net current liabilities	-	(92,204)	(0.52)
<b>Total</b>	<b>40,582,941</b>	<b>17,802,541</b>	<b>100.00</b>

## Review of Investments

### 1st Dental Laboratories

1st Dental is the UK's largest provider of services and products to the dental industry. The company has 14 laboratories as well as an online offering.

### Advanced Power Components

Advanced Power Components is one of the UK's foremost independent distributors of specialist electronic components working with a wide variety of defence, aerospace, transportation, medical and industrial manufacturers.

### Arcontech Group (formerly Knowledge Technology Solutions)

Arcontech is a leading provider of real-time software for collection, processing, distribution and presentation of time-sensitive financial market data.

### AssetCo

AssetCo is a leading provider of support services to the UK Fire and Rescue and ambulance services.

### Autoclenz Holdings

Autoclenz is the UK's leading outsourced car valeting and vehicle preparation services provider.

### Avingtrans

Avingtrans is involved in the production of precision engineered components used in aerospace, medical devices, scientific devices and industrial machinery.

### Award International Holdings

Award is a shell company traded on PLUS Markets seeking acquisitions.

### Bright Things

Bright Things is involved with the development of interactive DVD games based on popular licences and also owns rights to a proprietary chip technology. The company also acquired another business involved in online "social networking" software.

### Cello Group

Cello has established itself as a leading marketing services business. The company is involved in market research, direct marketing and brand advertising.

### Clerkenwell Ventures

Clerkenwell's objective is to acquire established, high growth businesses in the leisure sector. The company was established by the former Pizza Express management team.

### Conexion Media Group (formerly Music Copyright Solutions)

Conexion Media Group is a music administration and film production company involved in music library assets, music copyright licensing and royalty administration, collection and payment. The company has been building its portfolio via the acquisition of libraries of rights.

### Connaught

Connaught is a facilities management group providing a range of services to the owners and occupiers of property across mainland UK. The services include maintenance, refurbishment, cleaning and industrial and commercial gas appliance testing and servicing.

### Coolabi

Coolabi specialises in the ownership, development, production and creative management of intellectual property assets and their global exploitation through licensing and merchandising.

### Ebiquity

Ebiquity provides media monitoring services, accessed by or delivered to subscribers via the internet which enables subscribers to enjoy more up-to-date and timely information than traditional methods allow. The customer can also analyse, search and manipulate the data provided.

### Expansys

Expansys is a leading online retailer of handheld devices with wireless connectivity. The company has a global infrastructure and an international blue chip customer base.



### **First Artist Corporation**

First Artist is a group of companies providing entertainment, advertising, marketing, design, promotions and signage for West End and Broadway productions. It also offers corporate events and conferences and sports personality representation.

### **Formation Group**

Formation is a provider of construction management services to its property clients.

### **Freshwater UK**

Freshwater is a modern communications consultancy offering a wide range of services to clients in sectors as diverse as energy, transport, health, education, consumer, retail, local government, leisure, property, technology and professional services.

### **Fulcrum Pharma**

Fulcrum Pharma offers global virtual drug development and strategic outsourcing services to the pharmaceutical and biotechnology industries. The company has offices in the UK, USA and Japan offering global solutions across the full length of the drug development value chain.

### **Glisten**

The company is a manufacturer of chocolate and sugar based confectionery, snack bars, edible decorations and ingredients. It serves a wide range of customers including many high street retailers and the foodservice and export sectors.

### **Green Compliance**

Green Compliance raised money in 2009 to build an integrated business compliance provider covering pest, fire and water compliance in response to increasing regulation in these areas.

### **Hightex Group**

Hightex is one of the foremost international companies in the field of tensile fabric engineering. The company works hand in hand with clients, architects and engineers to create energy efficient, long lasting, clean and economical structures. Recent projects have included the roofs of the FIFA World Cup 2010 soccer stadia.

### **Huveaux**

Huveaux operates in political communications and is the UK's leading provider of political information, public affairs and policy communications as well as learning and training in the UK public sector.

### **IDOX**

IDOX is a supplier of software solutions and services mainly to the UK public sector and the leading applications provider to local government for core functions relating to land, people and property.

### **ILX Group**

ILX is a training company involved in financial awareness training for non-financial managers. The company has a blue chip client base from the UK, USA and Europe and has an extensive library of e-learning courseware. Several acquisitions have been made including that of Corporate Training Group.

### **Individual Restaurant Company**

An operator of branded restaurants including Piccolino, The Restaurant Bar & Grill, Zinc Bar & Grill and Bank.

### **Intelligent Environments Group**

Intelligent Environments is a leading provider of integrated e-finance products for the payment card and retail investment markets and has an excellent list of 'blue chip' clients.

### **Just Car Clinics Group**

The company owns a network of car repair centres and works with several major insurance and car dealership companies to fulfil their repair requirements.

### **Kiotech International**

Kiotech is a British biotechnology company supplying high-performance natural feed additives to enhance health, efficiency and sustainability in aquaculture and agriculture.

### **LiDCO Group**

LiDCO researches, develops, manufactures and sells innovative medical devices primarily for critical care and cardiovascular risk hospital patients who require real-time cardiovascular monitoring while undergoing major surgery, intensive care or cardiology procedures.

### **Lipoxen**

Lipoxen is a leading UK based pharmaceutical company working with some of the largest global pharmaceutical organisations to provide specialist delivery solutions that improve the efficacy and performance of drugs and vaccines in a variety of important medical areas.

### **Lo-Q**

Lo-Q has developed a queue management system that places visitors to theme parks in "virtual queues", reducing the time that customers spend physically waiting in line for key rides to a few minutes.

### **Mediwatch**

Mediwatch is a medical diagnostic equipment company that has developed high speed urological screening equipment. The company's products are designed to enable early detection of prostate and bladder cancers for the fast growing primary care market.

### **Mount Engineering**

Mount is a specialist engineering group servicing, in particular, the oil & gas and chemical industries. Products include thread conversion components and industrial valves and actuators.

### **NeutraHealth**

NeutraHealth was established and quoted on AIM to acquire businesses in the growing vitamin and mineral supplements market. The company has made 4 acquisitions in this area to date.

### **Omega Diagnostics Group**

Omega Diagnostics has made a number of acquisitions of companies specialising in the field of in vitro diagnostic products for use in hospitals, blood banks, clinics and laboratories. The company specialises in the areas of food intolerance, autoimmune disease and infectious disease.

### **Optimisa (unquoted)**

Optimisa is positioned between large management consultants and traditional market research, market intelligence and business intelligence providers.

### **Payzone**

Payzone is a payment processing and cash distribution company. A restructuring in February 2010 resulted in the appointment of receivers.

### **Petards Group**

Petards is a leading provider of advanced security and communication systems primarily for homeland security. It is focused on the growing surveillance, emergency services and defence markets and has a high quality customer base.

### **Prezzo**

Prezzo owns and operates a chain of restaurants based in and around London which trades in 2 main formats, Jonathans and Prezzo. The food offering consists of pizza and pasta.

### **Quadnetics Group**

Quadnetics is a leader in the design, integration and control of advanced CCTV and networked video systems. The company has a strong position in the casino market where it has a technological advantage and a significant market share.

### **RTC Group**

RTC Group is a human resource support services group, which provides employment solutions and training services to client companies in the UK and Ireland.

### **Savile Group**

The Savile Group is a UK human resources consulting group that helps organisations through coaching, talent management, career transition and mentoring.

### **Sportsweb.com (unquoted)**

Sportsweb is a specialist recruitment agency to the fitness and leisure industries. The company has an established traditional recruitment business and has extended this to the internet. Sportsweb has several major clients who are actively using the website to successfully recruit staff achieving significant benefits over traditional methods.

### **Symphony Environmental Technologies**

Symphony is a specialist technology company which owns the IP for an additive that degrades plastic packaging products. Symphony's "d2wTM" technology has been licensed to several overseas partners and production for UK customers is sub-contracted.

### **Synchronica**

Synchronica is the leading developer of industry-standard mobile messaging solutions for operators. The company's software provides email, synchronisation and instant messaging to any mobile phone on the market. The company has also recently partnered with one of the biggest device distributors to develop a low-cost handset that will be bundled with its own software and targeted at emerging markets.

### **Synergy Health**

Synergy is a specialist provider of out-sourced medical support services to the NHS. It is the largest private sector provider of sterile instrumentation services and linen products. The company has several long term contracts with different NHS Trusts and hospitals around the UK as well as, increasingly, several overseas territories.

### **Tanfield Group**

Tanfield is involved in specialist manufacturing including specialist electric vehicles, aerial access equipment and other purpose built vehicles and added value products.

### **Tasty**

Tasty is engaged in the operation of restaurants and was established by the Kaye family who are successful serial entrepreneurs in this sector. The offering is in Oriental food with a focus on "dim sum" although the company has just entered the pizza/pasta restaurant market, marking a return to the family's roots.

### **The Clapham House Group**

Clapham House was admitted to AIM to exploit acquisition opportunities within the UK restaurant sector. The experienced management team acquired Greek restaurant and bar chain The Real Greek, and the Gourmet Burger Kitchen.

### **The Real Good Food Company**

RGF manufactures and supplies chilled and ambient products in niche areas to food retailers. The business has been built by acquisition and organic growth.

### **Tikit Group**

The company is a provider of consultancy services and software solutions primarily to the legal profession. Applications cover time recording, document management, customer relationship management and knowledge management. The company has also entered the Spanish and French markets via acquisition.

### **UBC Media Group**

UBC is a leading independent supplier of services to the radio industry. It supplies programming to the BBC and other organisations as well as software to operate new digital radio data services.

### **Xploite**

Xploite is an operator and aggregator of strategic and high growth IT services. Services include advanced storage solutions at the company's own data centres.

### **Zytronic**

Zytronic's business has traditionally been as a manufacturer and distributor of optical filters, shielded filters and specialist light diffusers. The company's customers have included Alcatel, NCR, Corning and many other international OEM based manufacturers. More recently Zytronic has entered the touchscreen technology market which significantly increases its growth potential through its existing distribution partners.

# Board of Directors

## **Christopher Moorsom (Chairman)**

Christopher has over 40 years' experience in the financial services industry. In 1969 he became a partner of B S Stock, a Bristol firm of stockbrokers. In 1986 he became Managing Director of Stock Beech Securities, a corporate finance and market making company and was a Director of Stock Beech & Co, which was acquired by Albert E. Sharp in 1990. He later became Managing Director of Albert E. Sharp. Following the acquisition of Albert E. Sharp by Old Mutual plc and subsequent mergers with Capel Cure Myers and Greig Middleton, the business was renamed Gerrard. He became Joint Managing Director of Gerrard and was Chairman of Gerrard Investment Funds until 2001 when he became Vice Chairman of Gerrard until his retirement in 2004.

Christopher is non-executive Chairman of the Bath Building Society. He has recently served as a director of Weston Area NHS Trust, Northern Races Limited, Bath Racecourse Limited and is a director of the Royal Welsh College of Music and Drama. He is a member of the Securities Institute.

## **James Hambro**

James is Chairman of J O Hambro Capital Management Limited. He has over 25 years' experience in the merchant banking and investment management industry. He was a founder shareholder in 1986 of the J O Hambro Group and a former Managing Director of J O Hambro Magan & Company Limited. He is also Chairman of Hansteen Holdings Plc, a director of Primary Health Properties Plc and a number of other companies.

## **Mike Killingley**

Mike is non-executive Chairman of Beale plc and a non-executive Director of AIM-quoted Falkland Islands Holdings plc. He was a senior partner with KPMG, chartered accountants, from 1988 until retiring from the firm in 1998 and is a former non-executive Chairman of Southern Vectis plc, Conder Environmental plc and Advanced Technology (UK) plc. He is also Treasurer of the University of Southampton.

## **David Page**

David was the Managing Director of, and a major shareholder in, the largest franchise group of Pizza Express. In 1993 his franchise group merged with the franchisor at the same time as an IPO. David was appointed CEO on the flotation and then Chairman in 1996.

He is Chairman of the Clapham House Group plc which acquires and operates profitable restaurant brands; the Clapham House Group plc floated on AIM in November 2003. The Clapham House Group is an investee company.

David is a non-executive Director of Young & Co's Brewery Plc, an AIM quoted company.

# Corporate Governance Statement

The Board supports the principles of good corporate governance and code of best practice laid down by the Combined Code 2008 ("the Combined Code") and has put in place a framework for corporate governance which it believes is appropriate for a Venture Capital Trust company and which enables the Company to comply with the Combined Code.

The Board considers that the Company has complied with the provisions contained within the Combined Code during the year ended 31 January 2010 except for the area of non-compliance which was a Nomination Committee not having been formed.

This statement describes how the Company has complied or explains non-compliance with the provisions of the Combined Code during the year ended 31 January 2010.

The Turnbull Guidance requires the Directors to conduct, at least annually, a review of the effectiveness of the Company's system of internal controls, including financial operations, compliance controls and risk management. The Company last reviewed the effectiveness of the Company's system of internal controls for the year ended 31 January 2010 at its Audit Committee and Board meeting held on 26 April 2010.

The Board, directly or through the Audit Committee, is responsible for the Company's system of internal controls, for setting the control framework and for reviewing the effectiveness of the relevant systems. The Board discharges this responsibility by monitoring the operation of the key operating controls of the manager and its associates as follows:

- reviews the terms of the investment management agreement and receives regular reports from the manager,
- reviews reports on the internal controls and the operations of its custodian, Pershing Securities Limited which is itself independently reviewed; and
- reviews on a regular basis an independent report of the internal controls and the operations of its investment manager.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the objectives of the Company. As detailed in the Accountability and Audit Section of this Corporate Governance Report, which also includes further details of the control framework, the system of internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 January 2010, and to the date of approval of this Annual Report and Financial Statements.

The Board confirms that it has not identified any significant failings or weaknesses from the annual review of internal controls and procedures.

During the year four meetings of the Board of Directors have been held and attendance was as follows:

	2009			
	28 Apr	16 Jun	8 Sep	8 Dec
C J L Moorsom	✓	✓	✓	✓
J D Hambro	✓	✓	✓	✓
M S Killingley	✓	✓	✓	✓
D M Page	✓	✓	✓	✓
D M D A Wheatley (resigned 15 September 2009)	x	✓	x	n/a

### **The Board**

The Board currently consists of four non-executive Directors. Messrs Hambro, Killingley and Page are independent under the Combined Code. Their biographical details, set out on page 18, demonstrate a breadth of investment, commercial and professional experience.

Messrs Moorsom, Page, Hambro and Killingley served as Directors throughout the year. Mr Wheatley resigned as a Director on 15 September 2009.

The Board meets at least four times a year and between these meetings there is regular contact with the Investment Manager. There are formal details of matters specifically reserved for decision by the full Board which are reviewed as required. Procedures have been adopted for individual Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company within certain parameters. The Directors have access to the advice and services of the Corporate Company Secretary, who is responsible to the Board for ensuring that board procedures are followed.

Directors have available key information on the Company's policies, regulatory and statutory requirements and internal financial and non-financial controls. Changes affecting Directors' responsibilities are advised to the Board as necessary.

The Board conducts an annual effectiveness review of its performance which is used as a mechanism to improve its effectiveness, address any identified weaknesses and to build on its strengths. The review in respect of the financial year resulted in the Board concluding that they were satisfied that the Board of Directors had sufficient expertise to oversee the management of the business. Succession planning continued to be an area under consideration.

In accordance with the existing Articles of Association and the Combined Code, directors are required to retire by rotation at least once in every three-year period. Given the corporate governance practice of at least one third of the directors retiring each year, and given that there are only four directors in office Messrs Hambro and Killingley will retire by rotation and stand for re-election at the forthcoming Annual General Meeting of the Company.

### **Senior Independent Director**

Mr Hambro has held the position of Senior Independent Director throughout the year. In this role, Mr Hambro along with the Chairman are recognised as the senior board members to whom concerns can be conveyed.

### **Nomination Committee**

As the Board is small and consists of non-executive Directors and in view of the nature of the Venture Capital Trust Company it has been decided that a Nomination Committee does not need to be formed. The appointment of new Directors is decided by the whole Board. There have been no new appointments during the financial year to 31 January 2010 or to the date of this report.

### **Remuneration Committee**

As stated in the Directors' Remuneration Report on pages 29 and 30 where a Venture Capital Trust Company has no executive directors, the Combined Code principles relating to directors' remuneration do not apply and as such no Remuneration Committee has been appointed. The remuneration of the Directors is reviewed by the whole Board although no director is involved in setting his own remuneration.

### **Audit Committee**

The Board has an Audit Committee which is chaired by Mr Killingley. Messrs Moorsom, Hambro and Page are also members.

This Committee is responsible for reviewing all matters relating to the audit, financial reporting and internal control systems. The Audit Committee meets at least twice a year and the independent auditors may be asked to attend those meetings. During the year two meetings have been held and attendance was as follows:

	2009	
	16 April	8 September
M S Killingley	✓	✓
J D Hambro	✓	✓
C J L Moorsom	✓	✓
D M Page	✓	✓
D M D A Wheatley (resigned 15 September 2009)	✓	X

The Committee also meets with representatives of the manager and receives reports on the quality and effectiveness of the accounting records and the management information maintained on behalf of the Company.

The Terms of Reference of the Audit Committee are available on request from the registered office of the Company.

#### Relations with Shareholders

The Board is responsible for ensuring that a satisfactory dialogue with shareholders takes place and welcomes shareholder participation. All shareholders are encouraged to attend and participate in the Annual General Meeting ("AGM") which is chaired by the Chairman of the Board. The directors also make themselves available to deal with shareholders queries and questions that may arise during the year.

A summary of the proxy votes received on the resolutions proposed will be reported at the AGM.

The Company's proxy forms now include a 'vote withheld' option for each resolution. The proxy form and any announcement of the results of a vote will make it clear that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of votes for and against the resolutions.

The Notice of Annual General Meeting on pages 54 to 56 sets out the business of the meeting. Separate resolutions are proposed for each

substantive issue.

#### Accountability and Audit

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 26.

The Independent Auditors' Report is set out on page 31.

The Board has delegated contractually to third parties the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day to day accounting, Company Secretarial and administration requirements and the registration services. Each of these contracts is entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the manager and ad hoc reports and other information are supplied to the Board as required. It remains the role of the Board to keep under review the terms of the management agreement with the manager.

The Directors acknowledge that they are responsible for the internal financial and non-financial control systems ('the controls') of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication of information, and that the assets of the Company are safeguarded. The controls operated by the Board include the authorisation of the investment strategy and regular reviews of the financial results and investment performance. The Board has considered the need for an internal audit function, but currently believes there is no need to have one, in view of the other controls and procedures in place and the nature and scale of the Company's business. The need for an internal audit function will be reviewed annually. As stated above, the Board has delegated contractually the services the Company requires to external parties. The manager has established an internal control framework to provide reasonable assurance on the effectiveness of internal financial

controls operated on behalf of its clients. The effectiveness of the internal financial controls is assessed by the manager's compliance department on an ongoing basis.

The Audit Committee reviews and authorises the need for non-audit services, giving consideration to the cost effectiveness, the independence and objectivity of the auditor. In order to safeguard the auditors' objectivity and independence, non-audit services are carried out through a partner other than the audit engagement partner. On the recommendation of the Audit Committee, the Board is satisfied that the auditor continues to be independent and proposes the resolution for re-appointment at the AGM.

These systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The Directors have kept under review the effectiveness of the internal controls throughout the year and up to the date of this Report by adopting the above procedures.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and which includes an assessment of the risks relating to the performance and competence of the manager. This process has been in place throughout the year and up to the date of the approval of the Report and Financial Statements. It is regularly reviewed by the Board and accords with the Turnbull Guidance.

#### **Going Concern**

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

**By order of the Board**  
**C J L Moorsom**  
**Chairman**  
**19 May 2010**



# Report of the Directors

The Directors present their Report and audited Financial Statements of the Company for the year ended 31 January 2010.

## Review of the Business

The Business Review has been prepared in accordance with the requirements of Section 417 of the Companies Act 2006 and best practice.

The review of the Company's business for the year together with the Board's view of the outlook and a description of the principal risks and uncertainties facing the business are included in the Chairman's Statement on pages 4 and 5. All information relating to the principal activities, business review and principal risks found below, in the Chairman's Statement and elsewhere in the annual report shall be treated as forming part of this Directors' Report by reference.

## Principal Activity

The principal activity of the Company continues to be the provision to shareholders of an attractive and competitive return from a portfolio of investments in companies whose shares are principally traded on the AIM market. Details of all investments made by the Company are given in the Investment Portfolio Summary on pages 9 to 17.

The Company is registered as a public limited company under the Companies Act 2006. The Directors have managed and intend to continue to manage the Company's affairs in such a manner as to comply with Section 274 of the Income Tax Act 2007 and the Company has received provisional approval as a Venture Capital Trust.

## Change of name

Following careful consideration the Board obtained permission from shareholders at the Annual General Meeting held in 2009 to change the name of the Company to ViCTory VCT PLC. This name change took place on 16 June 2009.

## Results and Dividends

Net loss after taxation for the year amounted to £31,843 (2009: revenue of £350,653).

The Board are not recommending the payment of a final dividend.

## Directors

The names of the Directors of the Company appear on page 18 of these Financial Statements.

Messrs Moorsom, Page, Killingley and Hambro have served as Directors throughout the year. Mr Wheatley resigned as a Director on 15 September 2009.

The Directors' interests in the shares of the Company were:

Director	31 January 2010	31 January 2009
C J L Moorsom*	22,741	22,741
D M Page*	5,689	5,689
J D Hambro	22,136	22,136
M Killingley	27,225	Nil
D M D A Wheatley**	n/a	22,736

\* The holdings of Messrs Moorsom and Page include five shares which are held jointly.

\*\* Resigned 15 September 2009

No options over the share capital of the Company have been granted to the Directors. There have been no changes in the holdings of the Directors between 31 January 2010 and the date of this report.

## Directors' Appointment and Replacement

The rules applying to the appointment and replacement of Directors are set out in the Company's Articles of Association. Further details of those directors retiring by rotation can be found in the Corporate Governance Statement on page 20. As stated in the Corporate Governance Statement on page 20, the appointment and replacement of new Directors is decided by the Board as a whole.

## Powers of Directors

The powers and duties of the Directors are set out in the Company's Articles of Association. As at the date of this report, the Directors have no authority remaining to issue new shares; such authority will be sought from the shareholders at the Annual General Meeting to be held on 15 June 2010. Details of the Directors' authority to purchase the Company's shares are set out in these Financial Statements.

### **Performance Measurement**

The Board considers total return to shareholders to be the key performance indicator, although it appreciates that share price performance is an important factor to many shareholders. However, in the very limited market for VCT shares the share price will typically be at a discount to net asset value. The net asset value is regularly announced on the Regulatory News Service of the London Stock Exchange.

The Board regularly reviews the performance of the Company against its peers, but direct comparisons are not always relevant due to differences in investment focus. Performance is also reviewed against the AIM Index as it is the benchmark used for investment performance purposes. This is not, however, a particularly relevant index given the restrictions placed upon the Company in respect of the industry sectors it may and may not invest in.

It is the Manager's responsibility to seek to identify the best investments and manage the portfolio to achieve the highest possible returns. The performance of the Company's investments for the year under review is detailed in the Investment Portfolio – Commentary and Outlook on pages 6 to 8, the Overview on page 2 and in the Investment Portfolio Summary on pages 9 to 17. The performance of investments is reviewed continuously and the Board receives a quarterly report from the Manager.

### **Principal risks and the Board's approach to risk management**

The Company's assets are primarily quoted equities on AIM. Main areas of risk therefore relate to the movements within the AIM Index as a whole; the initial choice and subsequent performance of the investee companies; and factors affecting particular industries in which investments are held. Specific risks encountered and the Board's approach to mitigation are detailed below. Information in respect of risks associated with financial instruments held by the Company is provided in note 20 to the Financial Statements.

### **Objectives, strategy and investment performance risks**

The Board regularly reviews the investment strategy against current economic and market conditions. The Board is provided with regular reporting on investment performance, compliance with investment criteria and peer group performance. The rationale for all investment decisions is documented and presented to the Board.

### **Regulatory risks**

A breach of the HM Revenue & Customs rules could result in the withdrawal of the Company's VCT status and cancellation of tax reliefs, including those available to shareholders. The Manager constantly reviews compliance with these and other financial regulatory requirements, which is formally reported to the Board.

### **Operational risk**

The Board regularly considers operational risks and the controls in place to manage them.

### **Investment Management Agreement**

The Company's investment manager was throughout the year Williams de Broë Limited, a subsidiary of The Evolution Group PLC, pursuant to an Investment Management Agreement dated 28 April 2009.

Following a period of disappointing performance and having conducted a review of VCT managers, the Board was pleased to announce its decision to appoint Amati Global Investors Limited ("Amati") as the new investment manager effective from 22 March 2010. In January 2010 Dr Paul Jourdan and Douglas Lawson, together with the team directly involved in the day-to-day running of Noble AIM VCT plc, formed a new firm to acquire Noble Fund Managers Limited which was then renamed Amati. Amati currently manages both the Noble AIM VCT plc and the CF Noble UK Smaller Companies Fund.

The Board looks forward to working with Amati and believes that this change of investment manager of ViCTory VCT will add value for shareholders over the coming years.

The principal terms of the management agreement are set out in note 3 to the Financial Statements.

The Board is proposing a change to the investment mandate of the Company for approval by shareholders at the AGM to allow it to be run along similar lines to Noble AIM VCT in respect of its non-qualifying investments in equity and debt instruments.

### **Company Secretary Agreement**

On 11 February 2009, and following a short tender process Evolution Group Services Limited was appointed corporate company secretary. With effect from 1 April 2010, The City Partnership (UK) Limited was appointed to provide company secretarial services to the Company.

### **Service Administration Agreement**

Capita Sinclair Henderson Limited is the Company's administrator, and has entered into an administration agreement which can be terminated by not less than one year's notice in writing. The principal terms of the administration agreement are set out in note 5 to the Financial Statements.

### **Companies Act 2006 Disclosures**

The Board recognises the requirement under Section 417(5) of the Act to detail information about environmental matters (including the impact of the Company's business on the environment), any Company employees and social and community issues; including information about any policies it has in relation to these matters and effectiveness of these policies. As the Company has no employees or policies in these matters, this requirement does not apply.

### **VCT Status Monitoring**

The Company has retained PricewaterhouseCoopers LLP to advise it on compliance with the legislative requirements relating to VCTs. PricewaterhouseCoopers LLP review new investment opportunities for the sole purpose of assessing VCT status eligibility and carries out reviews of the Company's investment portfolio as instructed by the Company.

### **Independent Auditors**

PricewaterhouseCoopers LLP were the independent auditors during the year to the Company. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

### **Directors' statement as to Disclosure of Information to Auditors**

The Directors who were members of the Board at the time of approving this Report are listed on page 18.

United Kingdom company law (Section 418 of the Companies Act 2006) requires each Director to make an individual statement regarding the disclosure of information to the auditors. The statement must confirm that as at the date of this report and as far as the Director is aware there is no relevant audit information of which the Company's auditors are unaware; and that the Director has taken all the steps he ought to have taken in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that

information. A Director is deemed to have taken all the steps necessary that he ought to have taken if he has made such enquiries of his fellow Directors and of the Company's auditors for that purpose, and taken such other steps, if any, for that purpose as are required by his duty as a Director of the Company to exercise due care, skill and diligence. All of the Directors of the Company as at the date of this report have provided such a statement to the Company. The Company's auditors have been advised that the confirmation has been given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

### **Issued Share Capital**

During the year the Company purchased 1,220,503 ordinary shares of 5p each for cancellation at an aggregate cost of £423,158 including Nil commission, representing 2.83% of the issued capital as at the previous year end date. These repurchases of shares were made in accordance with the Company's share buy back policy and were considered to be in the best interests of shareholders. The authority for the Company to purchase its own shares is given by the shareholders to the Company at the Annual General Meeting. As at 31 January 2010, the authority remained valid over 3,272,389 ordinary shares of 5p each.

The issued share capital of the Company as at 31 January 2010 was 41,958,437 ordinary shares of 5p each. There have been no shares repurchased by the Company post year end.

### **Structure of Share Capital**

Details of the share capital are set out in note 14 of the Financial Statements.

### **Substantial Interests**

As at 31 January 2010 the Company was not aware of any beneficial interest exceeding 3% of the issued share capital.

### **Suppliers Payment Policy**

The Company's policy is to pay all suppliers' invoices within 30 days of the invoice date, unless otherwise agreed. The Company agrees with its suppliers the terms on which business will take place and it is our policy to abide by these terms. There were no trade creditors at the year end (2009: none).

### **Allocation of Annual Management Fee**

In determining the funds available to pay revenue dividends, 75% of the annual management fee, together with the related tax effect, is transferred to the capital reserves, reflecting the Directors' estimation of the probable split of capital gains and income from the investment portfolio over the life of the Company.

### **Statement of Directors' Responsibilities**

Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Directors are responsible for ensuring that the Report of the Directors and other information included in the Report and Financial Statements are prepared in accordance with Company law in the United Kingdom. They are also responsible for ensuring that the Report and Financial Statements include information required by the Listing Rules of the Financial Services Authority.

### **Statement under DTR 4.1.12**

The Directors certify that to the best of their knowledge the Financial Statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial positions and profit and loss of the Company. The Directors further certify that the Annual Report includes a fair review of the development and performance of the business together with the principal risks and uncertainties facing the Company.

### **Section 992 Companies Act 2006**

The following information is disclosed in accordance with Section 992 of the Companies Act 2006:

- The Company's capital structure and voting rights are summarised on page 27.
- Details of the substantial shareholders in the Company are disclosed on page 25.
- The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are disclosed on page 23.
- Restrictions concerning the transfer of securities in the Company are disclosed on page 27.
- Special rights with regard to control attached to securities and agreements between holders of securities regarding their transfer are disclosed on page 27.
- There are no agreements which the Company is party to that might affect its control following a takeover bid.
- Agreements between the Company and its Directors concerning compensation for loss of office are disclosed on page 27.

### **Employees and Donations**

The Company has no employees and does not make either charitable or political donations.

### **Additional Information for Shareholders**

There is one class of share in issue and there are no significant restrictions on voting rights attached to these shares or the transfer of securities in the Company. No person holds securities in the Company carrying special rights with regard to control of the Company and each share carries the right to one vote at general meetings on a show of hands. Further details of the rights and restrictions attaching to the share capital of the Company are detailed in the Articles of Association of the Company.

### **Directors' Terms of appointment**

Directors are not appointed for a specified term as required by provision A7.2 of the Combined Code. However their letters of appointment do not provide for compensation for loss of office on cessation of appointment. Cessation of appointment would be by resignation, as prescribed by the Articles of Association of the Company or otherwise with the agreement of the Board.

### **Insurance and indemnities**

The Company has taken out Directors and Officers insurance cover in respect of action against its Directors and officers. The Company also indemnifies Directors against any loss, damage, cost, claim or expense, incurred by him in complying with regulations, requirements or directions issued by the Company or on its behalf, or in the proper performance of his duties.

### **Annual General Meeting**

The Annual General Meeting will be held at 3pm on 15 June 2010.

The Notice of Annual General Meeting is set out on pages 54 to 56.

The business of the meeting is outlined below.

## **ORDINARY BUSINESS**

### **Resolution 1 – Annual Report and Financial Statements**

The Directors are required to present to the annual general meeting the Annual Report and Financial Statements for the financial year ended 31 January 2010.

### **Resolution 2 – Directors' Remuneration Report**

Under Regulation 11 and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, the Company is required to produce a Directors' Remuneration Report for each relevant financial year and to seek shareholder approval for that report at the annual general meeting. The Directors' Remuneration Report is on pages 29 and 30 of the Annual Report and Financial Statements.

### **Resolution 3 – Re-election of Director**

Mr J Hambro retires by rotation in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

### **Resolution 4 – Re-election of Director**

Mr M Killingley retires by rotation in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

### **Resolution 5 – Re-appointment of the Auditors**

The Company is required to re-appoint auditors at each annual general meeting of the Company to hold office until the next general meeting at which accounts are presented. This resolution proposes that the Company's current auditors, PricewaterhouseCoopers LLP, be re-appointed as auditors of the Company.

### **Resolution 6 – Remuneration of the Auditors**

This resolution proposes that the Directors be authorised to set the auditors' remuneration.

## **SPECIAL BUSINESS**

### **Resolution 7 – Renewal of Directors’ authority to allot shares**

By virtue of Section 551 of the Companies Act 2006, the Directors require the authority of the shareholders of the Company to allot shares or other relevant securities in the Company. This resolution authorises the Directors to make allotments of up to an additional 4,195,843 shares (representing approximately 10% of the issued share capital of the Company as at the date of this report being the latest practicable date prior to the publication of this document). The existing authority will expire at the forthcoming annual general meeting and, by proposing this resolution, the Board seeks its renewal. This authority will be effective until the earlier of the date of the annual general meeting of the Company to be held in 2011 and the date which is 15 months after the date on which this resolution is passed (unless the authority is previously revoked, varied or extended by the Company in general meeting).

### **Resolution 8 – Investment policy**

Resolution 8 seeks the approval of shareholders to permit a more flexible investment mandate to allow the Company to use the non-qualifying portion of the VCT’s investments to broaden and extend the range of the qualifying portfolio to include a portfolio of small and mid-sized companies. The resolution will seek authority to direct the non-qualifying investments towards overseas earnings’ streams, particularly from the Far East, and the energy and natural resources sectors which are rarely represented through qualifying investments.

### **Resolution 9 – Disapplication of pre-emption rights**

Resolution 9 which will be proposed as a special resolution, supplements the Directors’ authority to allot shares in the Company given to them by Resolution 8. The Resolution authorises the Directors to allot equity shares for cash up to a total nominal value of £290,207. This authority will be effective until the earlier of the date of the annual general meeting of the Company to be held in 2011 and the date which is 15 months after the date on which this resolution is passed (unless the authority is previously revoked, varied or extended by the Company in general meeting).

### **Resolution 10 – Renewal of authority for the company to purchase its own shares.**

The Directors consider that the Company should have the ability to make market purchases of its ordinary shares for cancellation. A special resolution will be proposed at the annual general meeting seeking authority for the Company to purchase up to 14.99% of the issued share capital as at the date of the annual general meeting. This authority will expire on the earlier of the date of the Company’s annual general meeting to be held in 2011 and the date which is 18 months after the date on which this resolution is passed.

**By order of the Board**  
**C J L Moorsom**  
**Chairman**  
**19 May 2010**

# Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of the Companies Act 2006 and the Large and Medium Sized Company and Groups (Accounts and Reports) Regulations 2008. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting of the Company.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited they are so indicated. The auditor's opinion is included in its report on page 31.

## Policy on Directors' Remuneration

The Board comprises four Directors, all of whom are non-executive. The Board does not have a separate remuneration committee as the Company has no employees or executive directors. The Remuneration of the Directors is reviewed by the whole Board.

As stated in the Articles of Association, the remuneration of the Directors by way of fees is determined by the Board, save that, unless otherwise approved by ordinary resolution of the Company, the aggregate remuneration shall not exceed £90,000 per annum. The Remuneration of the Board is as follows:

	Chairman	Directors
1 February 2009 – 31 January 2010	£18,000 pa	£15,000 pa

The Board's policy is that remuneration of non-executive Directors shall reflect the expansion of the Board as a whole, be fair and comparable to that of other similar investment trusts that have similar capital structure and investment objectives. It is intended that this policy will continue for the year ending 31 January 2011 and subsequent years.

## Directors' Emoluments for the Year (audited)

The Directors who served throughout the year and received emoluments by way of fees are detailed in the table below:

	Note	Year ended 31 January 2010 £	Year ended 31 January 2009 £
C J L Moorsom	6	18,000	18,000
J D Hambro*	6	15,000	15,000
M S Killingley	6	15,000	15,000
D M Page	6	15,000	15,000
D M D A Wheatley (resigned 15 September 2009)	6	9,375	15,000
		<b>72,375</b>	<b>78,000</b>

\* The fees in respect of James Hambro are paid to charity.

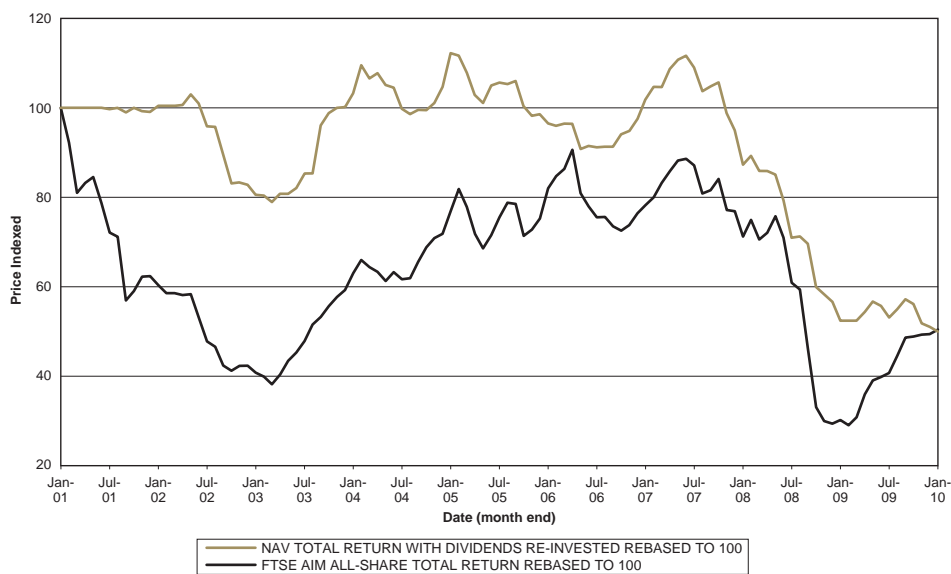
### Service Contracts

No Director has a service contract with the Company although they do have letter of appointment details of which can be found in the Directors Report on page 27.

There were no other contracts during or at the end of the year in which Directors of the Company had a material interest and which is or was significant in relation to the Company's business.

None of the Directors of the Company are eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.

### Your Company's Performance



The graph above compares the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total shareholder return on a notional investment made up of shares of the same kind and number as by reference to which the Alternative Investment Market is calculated. This index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes.

**By order of the Board**

**C J L Moorsom**

**Chairman**

**19 May 2010**



# Independent auditors' report to the members of ViCTory VCT PLC

We have audited the financial statements of ViCTory VCT PLC for the year ended 31 January 2010 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities in the Report of the Directors, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2010 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement with respect to internal control and risk management systems is consistent with the Financial Statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out in the Corporate Governance Statement, in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

**Ian Armfield (Senior Statutory Auditor)  
for and on behalf of  
PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory  
Auditors  
London  
19 May 2010**

# Financial Statements

## Income Statement for the year ended 31 January 2010

	Notes	Year ended 31 January 2010			Year ended 31 January 2009		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Net losses on investments at fair value	10	–	(724,347)	(724,347)	–	(14,685,951)	(14,685,951)
Income	2	342,429	–	342,429	589,510	–	589,510
<b>Administrative expenses</b>							
Investment management fees	3	(72,075)	(216,224)	(288,299)	80,919	242,758	323,677
Decrease in share option provision	4	–	–	–	8,469	25,406	33,875
Other expenses	5	(302,197)	–	(302,197)	(328,245)	–	(328,245)
Total administrative (expenses)/income		(374,272)	(216,224)	(590,496)	(238,857)	268,164	29,307
<b>(Loss)/return on ordinary activities before taxation</b>		<b>(31,843)</b>	<b>(940,571)</b>	<b>(972,414)</b>	<b>350,653</b>	<b>(14,417,787)</b>	<b>(14,067,134)</b>
Taxation on ordinary activities	7	–	–	–	–	–	–
<b>(Loss)/return on ordinary activities after taxation for the financial year</b>		<b>(31,843)</b>	<b>(940,571)</b>	<b>(972,414)</b>	<b>350,653</b>	<b>(14,417,787)</b>	<b>(14,067,134)</b>
<b>(Loss)/return per ordinary share</b>	9	(0.07)p	(2.20)p	(2.27)p	0.79p	(32.71)p	(31.92)p

The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

There are no gains or losses other than shown in the income statement.

The notes on pages 36 to 53 form part of these financial statements.

## Reconciliation of Movements in Shareholders' Funds for the year ended 31 January 2010

Notes	Called up share capital £	Share premium account £	Merger reserve £	Special reserve £	Capital redemption reserve £	Share options reserve £	Capital reserve £	Revenue reserve £	Total £
Year ended 31 January 2008	2,248,449	2,954,794	16,492,539	19,112,927	487,979	33,875	(5,931,126)	16,867	35,416,304
Re-purchase and cancellation of ordinary shares	(89,502)	-	-	(1,000,016)	89,502	-	-	-	(1,000,016)
Decrease in share option provision	4	-	-	-	-	(33,875)	-	-	(33,875)
Net (loss)/return after taxation for the year	-	-	-	-	-	-	(14,417,787)	350,653	(14,067,134)
Dividends paid	8	-	-	-	-	-	(1,014,191)	(102,975)	(1,117,166)
<b>Year ended 31 January 2009</b>	<b>2,158,947</b>	<b>2,954,794</b>	<b>16,492,539</b>	<b>18,112,911</b>	<b>577,481</b>	<b>-</b>	<b>(21,363,104)</b>	<b>264,545</b>	<b>19,198,113</b>
Re-purchase and cancellation of ordinary shares	(61,025)	-	-	(423,158)	61,025	-	-	-	(423,158)
Net loss after taxation for the year	-	-	-	-	-	-	(940,571)	(31,843)	(972,414)
<b>Year ended 31 January 2010</b>	<b>2,097,922</b>	<b>2,954,794</b>	<b>16,492,539</b>	<b>17,689,753</b>	<b>638,506</b>	<b>-</b>	<b>(22,303,675)</b>	<b>232,702</b>	<b>17,802,541</b>

The notes on pages 36 to 53 form part of these financial statements.

Balance Sheet  
as at 31 January 2010

	Notes	As at 31 January 2010 £	As at 31 January 2009 £
<b>Fixed assets</b>			
Investments at fair value			
Qualifying investments		12,646,657	11,321,027
Non-qualifying investments		5,248,088	5,953,242
	10	<u>17,894,745</u>	<u>17,274,269</u>
<b>Current assets</b>			
Debtors	11	67,789	80,769
Cash at bank		1,338	2,000,041
		<u>69,127</u>	<u>2,080,810</u>
<b>Creditors: amounts falling due within one year</b>			
Bank overdraft		(25,299)	–
Other creditors and accruals	12	(136,032)	(156,966)
		<u>(161,331)</u>	<u>(156,966)</u>
<b>Net current (liabilities)/assets</b>		<u>(92,204)</u>	<u>1,923,844</u>
<b>Net assets</b>		<u><b>17,802,541</b></u>	<u><b>19,198,113</b></u>
<b>Capital and reserves</b>			
Called up share capital	14	2,097,922	2,158,947
Share premium account	15	2,954,794	2,954,794
Merger reserve	15	16,492,539	16,492,539
Special reserve	15	17,689,753	18,112,911
Capital redemption reserve	15	638,506	577,481
Share options reserve	15	–	–
Capital reserve	15	(22,303,675)	(21,363,104)
Revenue reserve	15	232,702	264,545
<b>Total shareholders' funds</b>		<u><b>17,802,541</b></u>	<u><b>19,198,113</b></u>
<b>Net asset value per ordinary share</b>	16	<b>42.43p</b>	<b>44.46p</b>

The financial statements on pages 32 to 53 were approved by the Board of Directors on 19 May 2010 and signed on their behalf by:

**C J L Moorsom**  
Chairman

The notes on pages 36 to 53 form part of these financial statements.

Cash Flow Statement  
for the year ended 31 January 2010

	Notes	Year ended 31 January 2010 £	Year ended 31 January 2009 £
<b>Operating activities</b>			
Investment income received		338,769	504,812
Deposit interest received		1,134	67,892
Investment management fees (paid)/received		(289,608)	127,122
Other expenses paid		(331,070)	(325,762)
Bank interest paid		(11)	–
<b>Net cash (outflow)/inflow from operating activities</b>	17	<u>(280,786)</u>	<u>374,064</u>
<b>Capital expenditure and financial investment</b>			
Purchases of investments		(7,835,770)	(714,000)
Disposals of investments		6,516,042	2,512,566
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>		<u>(1,319,728)</u>	<u>1,798,566</u>
<b>Equity dividends paid</b>		<u>–</u>	<u>(1,117,166)</u>
<b>Net cash (outflow)/inflow before financing</b>		<u>(1,600,514)</u>	<u>1,055,464</u>
<b>Financing</b>			
Cost of ordinary shares purchased for cancellation		(423,488)	(1,072,526)
<b>Net cash outflow from financing</b>		<u>(423,488)</u>	<u>(1,072,526)</u>
<b>Decrease in cash for the year</b>	18	<u>(2,024,002)</u>	<u>(17,062)</u>

The notes on pages 36 to 53 form part of these financial statements.

# Notes to the Financial Statements

## 1 ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below.

### a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments. The financial statements have been prepared in accordance with applicable accounting standards and law in the United Kingdom, and are in compliance with the revised January 2009 Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the "SORP").

### b) Investments

All investments held by the Company are classified "at fair value through profit or loss". Investments are initially recognised at cost, being the fair value of consideration given. Interest accrued on fixed interest rate securities at the date of purchase or sale is accounted for separately as accrued income, so that the value or purchase price or sale proceeds is shown net of such items.

After initial recognition, investments are measured at fair value, with unrealised gains and losses on investments and impairment of investments recognised in the income statement and allocated to capital. Realised gains and losses on investments sold are calculated as the difference between sales proceeds and cost.

For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date, without adjustment for transaction costs necessary to realise the asset.

Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value.

Unquoted investments are stated at the fair value with reference to the International Private Equity and Venture Capital Valuation ("IPEV") guidelines issued in October 2006, updated in September 2009, where appropriate.

Capital gains and losses on investments, whether realised or unrealised, are dealt with in the capital reserve.

### c) Income

Dividends receivable on listed and quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course. Interest receivable is included in the accounts on an accruals basis.

#### **d) Expenses**

All expenses are recognised on an accruals basis. Expenses are charged through revenue in the income statement except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment, where permitted by the relevant accounting standards;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds on an investment; and
- expenses are charged to capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fee has been allocated 75% to capital and 25% to revenue, in line with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

#### **e) Trail commission**

Trail commission is paid to Independent Financial Advisors ("IFAs") annually at a rate of 0.375% of the investors original holding multiplied by the previous year end NAV. It is recognised on an accruals basis. Trail commission that has not been cashed for an extended period of time can be written off at the discretion of the Company.

#### **f) Financial instruments**

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

All other current assets do not carry any interest, are short term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

#### **g) Taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversals of the underlying timing differences can be deducted. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Any tax relief obtained in respect of management fees allocated to capital is reflected in the capital reserve and a corresponding amount is charged against revenue. The tax relief is the amount by which corporation tax payable is reduced as a result of these capital expenses.

#### **h) Capital reserve**

Capital reserves: relating to gains and losses on sales of investments

The following are accounted for as realised returns:

- Gains and losses on sale of investments;
- realised exchange differences of a capital nature;
- expenses and finance costs, together with the related tax effect to this reserve in accordance with the policies; and
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

Capital reserves: relating to investment holding gains and losses

The following are accounted for as unrealised returns:

- Increases and decreases in the valuation of investments held at the year end;
- unrealised exchange differences of a capital nature; and
- unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

#### **i) Share based payments**

In accordance with FRS 20: Share Based Payments, an expense is recognised in the financial statements relating to the value of the share options awarded to Singer & Friedlander Investment Management Limited under the arrangements agreed on the merger of the Company with AIM and AIM 2.

The accounting charge is based on the fair value of each grant. The fair value of Singer & Friedlander Investment Management Limited's option is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest. In the case of the options granted, fair value is measured by a Black-Scholes pricing model, further details of which are set out in note 4. The deemed movement in provision is transferred to the share options reserve.

#### **j) Dividends payable to shareholders**

Interim dividends are not accounted for until paid. Final dividends are accounted for when approved by the members in the general meeting.



## 2 INCOME

	Year ended 31 January 2010	Year ended 31 January 2009
	£	£
<b>Income from investments</b>		
UK equities	150,979	264,812
Fixed interest securities	189,457	261,228
Fixed interest securities reinvested	–	1,480
	<u>340,436</u>	<u>527,520</u>
<b>Other income</b>		
Deposit interest	1,993	61,633
Other interest	–	357
	<u>1,993</u>	<u>61,990</u>
<b>Total income</b>	<u><b>342,429</b></u>	<u><b>589,510</b></u>

	Year ended 31 January 2010	Year ended 31 January 2009
	£	£
<b>Total income comprises:</b>		
Dividends	150,979	264,812
Interest	191,450	324,698
	<u><b>342,429</b></u>	<u><b>589,510</b></u>
<b>Income from investments comprises:</b>		
Quoted UK securities	340,436	526,040
Unquoted UK securities	–	1,480
	<u><b>340,436</b></u>	<u><b>527,520</b></u>

## 3 INVESTMENT MANAGEMENT FEES

	Year ended 31 January 2010			Year ended 31 January 2009		
	Revenue	Capital	Total	Revenue	Capital	Total
	£	£	£	£	£	£
Investment management fee	72,075	216,224	288,299	96,528	289,584	386,112
Irrecoverable VAT thereon	–	–	–	8,553	25,658	34,211
Recovered VAT from previous periods	–	–	–	(186,000)	(558,000)	(744,000)
	<u><b>72,075</b></u>	<u><b>216,224</b></u>	<u><b>288,299</b></u>	<u><b>(80,919)</b></u>	<u><b>(242,758)</b></u>	<u><b>(323,677)</b></u>

### Recovered VAT on Investment management fee

Management fees are now exempt from VAT, the 2009 figures include the amount of £744,000 of VAT that was recovered for the period 1 July 2001 to 30 June 2008 when VAT was charged.

Following the purchase on 21 October 2008 of the business of Singer & Friedlander Investment Management Limited by Williams de Broë Limited, the management of the assets of the Company were migrated to Williams de Broë Limited on 12 January 2009.

Williams de Broë Limited and the Company signed an Investment Management Agreement on 28 April 2009.

Williams de Broë Limited received an annual management fee of 1.5% of the net asset value of the Company. The annual management fee was calculated based on the quarter end net asset value and was payable calendar quarterly in arrears. At 31 January 2010, £22,721 (31 January 2009: £24,030) was owed to the Manager.

On 22 March 2010, Amati Global Investors Limited ("Amati") were appointed as Investment Manager of the Company.

#### 4 MANAGERS' OPTION

In accordance with the arrangements agreed on the merger of the Company with AIM and AIM 2, Singer & Friedlander Investment Management Limited were granted an option which provides that if by the date of payment of the final dividend in respect of the ordinary shares for the Company's accounting year ending 31 January 2013 cumulative dividends declared and paid on each ordinary share (by reference to a record date after the merger) exceed a return of 8 per cent (compounded annually) of the net asset value per ordinary share they will be entitled to subscribe at par for such number of additional ordinary shares as shall in aggregate be equal to 15 per cent of ordinary shares in the enlarged Company as enlarged by such subscriptions.

This right is a share based payment under FRS 20. This right or option has been valued on the date that it was granted to Singer & Friedlander Investment Management Limited and this cost is being charged to the income statement as part of the management fee evenly over the period over which it vests. These options currently have a nil value (2009: a decrease in the provision of £33,875 to nil). This is shown as a separate reserve in the balance sheet.

The option pricing model (Black-Scholes) has measured the fair value of the option using the following information:

	31 January 2010	31 January 2009
Share price at grant date	87.95p	87.95p
Exercise price	5.00p	5.00p
Option life in years	3 years	4 years
Risk free rate	2.12%	2.76%
Expected volatility	12.87%	12.55%
Value	–	–

The Manager's option was not transferred to Williams de Broë Limited with the purchase of the business of Singer & Friedlander Investment Management Limited. The Board is looking to open discussions with Singer & Friedlander Investment Management Limited to have the agreement set aside.

## 5 OTHER EXPENSES

	Year ended 31 January 2010	Year ended 31 January 2009
	£	£
Directors' emoluments (note 6)	72,375	78,000
Auditor's fee – annual audit (current period)	35,263	39,905
Auditor's fee – taxation services	10,285	30,717
Registrar's fee	13,434	20,062
Secretarial fee	18,073	17,250
Administration fee	60,983	58,315
Printing	16,506	11,540
Insurance	26,647	26,737
Trail commission	17,613	8,183
Bank interest	36	–
Other	30,982	37,536
	<b>302,197</b>	<b>328,245</b>

The auditor's fees disclosed above include VAT.

Evolution Group Services Limited performed company secretarial services for an annual fee of £18,500 including VAT of £2,413 (under previous contract with Singer & Friedlander Secretaries Limited – 2009: £17,250 including VAT of £2,250). At 31 January 2010, £17,942 including VAT of £2,672 was owed to Evolution Group Services Limited (amount owed under previous contract with Singer & Friedlander Secretaries Limited – 2009: £25,875 including VAT of £3,375).

With effect from 1 April 2010, The City Partnership (UK) Limited was appointed to provide company secretarial services to the Company.

Capita Sinclair Henderson Limited provided book keeping and accounting services for an annual fee of 0.1% of the gross amounts raised under the original Offer for Subscription of the Company's ordinary share capital, subject to annual review in line with the RPI. The agreement can be terminated by not less than one year's notice in writing. At 31 January 2010, £4,419 excluding VAT (2009: £5,082 including VAT of £663) was owed to Capita Sinclair Henderson Limited.

## 6 DIRECTORS' EMOLUMENTS

	Year ended 31 January 2010	Year ended 31 January 2009
	£	£
C J L Moorsom	18,000	18,000
J D Hambro*	15,000	15,000
M S Killingley	15,000	15,000
D M Page	15,000	15,000
D M D A Wheatley (resigned 15 September 2009)	9,375	15,000
	<b>72,375</b>	<b>78,000</b>

\* The fees in respect of James Hambro are paid to charity.

No pension scheme contributions or retirement contributions were paid. There are no share option contracts held by the Directors.

## 7 TAXATION ON ORDINARY ACTIVITIES

	Year ended 31 January 2010			Year ended 31 January 2009		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Based on the profits for the period: UK corporation tax charge/ (credit) at 28% (2009: 28.3%)	-	-	-	-	-	-
	-	-	-	-	-	-

As a Venture Capital Trust, the Company is not liable to taxation on its realised capital gains.

### Current taxation

The current taxation for the year is lower than the standard rate of corporation tax in the UK 28% (2009: 28.3%). The differences are explained below:

### Reconciliation of tax charge

	Year ended 31 January 2010			Year ended 31 January 2009		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
(Deficit)/return on ordinary activities before taxation	(31,843)	(940,571)	(972,414)	350,653	(14,417,787)	(14,067,134)
Theoretical tax at UK corporation tax charge of 28% (2009: 28.3%)	(8,916)	(263,360)	(272,276)	99,235	(4,080,234)	(3,980,999)
Effects of:						
- UK dividends which are not taxable	(42,274)	-	(42,274)	(74,942)	-	(74,942)
- Non-taxable losses on investments	-	202,817	202,817	-	4,156,124	4,156,124
- Expenses which are not allowable for corporation tax purposes	4,932	-	4,932	(81)	(7,190)	(7,271)
- Excess expenses of current year carried forward	46,258	60,543	106,801	-	-	-
- Excess expenses of previous year utilised	-	-	-	(24,212)	(68,700)	(92,912)
<b>Actual current tax charge</b>	-	-	-	-	-	-

### Deferred taxation

There is no potential liability to deferred tax (2009: £nil). There is an unrecognised deferred tax asset of £779,417 (2009: £679,823). The deferred tax asset relates to unutilised expenses. It is considered more likely than not that there will be insufficient taxable profits in the future against which the deferred tax assets can be offset and, therefore, in accordance with FRS 19, the asset has not been recognised.

## 8 DIVIDENDS IN RESPECT OF EQUITY SHARES

	Year ended 31 January 2010	Year ended 31 January 2009
	£	£
<b>Declared and paid</b>		
Relating to prior year:		
Final dividend of nil (2009: 2.0p) per ordinary share	–	899,379
Relating to current year:		
Interim dividend of nil (2009: 0.5p) per ordinary share	–	217,787
<b>Total</b>	<b>–</b>	<b>1,117,166</b>
<b>Proposed</b>		
Final dividend of nil (2009: nil) per ordinary share	–	–
<b>Total</b>	<b>–</b>	<b>–</b>

## 9 (LOSS)/RETURN PER ORDINARY SHARE

Basic revenue return per ordinary share is based on the net loss on ordinary activities after taxation of £31,843 (2009: return of £350,653) and on 42,764,055 (2009: 44,075,233) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Basic capital return per ordinary share is based on net capital loss for the year of £940,571 (2009: £14,417,787) and 42,764,055 (2009: 44,075,233) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

## 10 INVESTMENTS

	31 January 2010	31 January 2009
	£	£
<b>Valuation</b>		
Listed investments	5,786,002	7,216,168
Quoted investments	11,773,228	8,401,661
Unquoted investments	335,515	1,656,440
<b>Total</b>	<b>17,894,745</b>	<b>17,274,269</b>

A full list of the investment portfolio holdings by their aggregate market value is shown on pages 9 to 17.

Movements in investments during the year ended 31 January 2010 are summarised as follows:

	Unquoted investments*	AIM quoted	PLUS markets	Listed securities	Total
	£	£	£	£	£
Opening book cost	15,620,098	19,873,527	209,990	6,115,537	41,819,152
Opening unrealised (losses)/gains	(13,963,658)	(11,472,076)	(209,780)	1,050,594	(24,594,920)
Amortisation of discount on fixed interest securities**	–	–	–	50,037	50,037
Opening valuation	1,656,440	8,401,451	210	7,216,168	17,274,269
Transfers between categories	3,286,831	(3,442,683)	–	155,852	–
Purchases	160,000	3,785,950	–	3,889,820	7,835,770
Sale proceeds	–	(721,640)	–	(5,794,402)	(6,516,042)
Realised (losses)/gains on sales	(2,914,370)	(29,591)	–	388,022	(2,555,939)
(Increase)/decrease in unrealised losses	(1,853,386)	3,779,531	–	(69,458)	1,856,687
<b>Closing valuation as at 31 January 2010</b>	<b>335,515</b>	<b>11,773,018</b>	<b>210</b>	<b>5,786,002</b>	<b>17,894,745</b>
Closing book cost as at 31 January 2010	16,152,559	19,465,563	209,990	4,754,829	40,582,941
Closing unrealised (losses)/gains	(15,817,044)	(7,692,545)	(209,780)	956,041	(22,763,328)
Amortisation of discount on fixed interest securities**	–	–	–	75,132	75,132
<b>Closing valuation as at 31 January 2010</b>	<b>335,515</b>	<b>11,773,018</b>	<b>210</b>	<b>5,786,002</b>	<b>17,894,745</b>

\* Included within unquoted investments are fixed income securities representing £260,000 (2009: £100,000) by book cost and £nil (2009: £100,000) by market value, this stock has been written off.

\*\* The income recognised from the debt securities on an effective yield basis taking account of the discounts on issue.

	31 January 2010 £
Qualifying investments	12,646,657
Non-qualifying investments	5,248,088
	<b>17,894,745</b>
<b>Qualifying investments are made up of:</b>	<b>£</b>
AIM quoted companies (excluding non-qualifying investments)	10,551,570
Fully listed companies	1,759,362
PLUS Markets traded companies	210
Unquoted companies	335,515
	<b>12,646,657</b>
<b>Non-qualifying investments are made up of:</b>	<b>£</b>
AIM quoted companies (non-qualifying investments)	1,121,448
Loan stock in AIM quoted companies	100,000
UK Government loans	4,026,640
	<b>5,248,088</b>

All qualifying investments within the portfolio are based in the UK. An analysis of the investment portfolio by broad industrial or commercial sector, and a list of investments, is contained within the Investment Portfolio Summary section of the Report and Financial Statements.

	Year ended 31 January 2010	Year ended 31 January 2009
	£	£
Realised losses on sales of investments	(2,555,939)	(1,485,954)
Movement in unrealised losses	1,856,687	(13,179,463)
Movement in amortisation of discount on fixed interest securities	(25,095)	(20,534)
<b>Total losses on investments</b>	<b>(724,347)</b>	<b>(14,685,951)</b>

Transaction costs – during the year the Company incurred transaction costs of £3,137 (2009: £nil) and £23 (2009: £56) on purchases and sales of investments respectively. These amounts are included in losses on investments at fair value as disclosed in the income statement.

## 11 DEBTORS

	31 January 2010	31 January 2009
	£	£
Prepayments and accrued income	<b>67,789</b>	<b>80,769</b>

## 12 CREDITORS

	31 January 2010	31 January 2009
	£	£
Other tax and social security	1,085	832
Stamp duty on buy backs	185	515
Accrued expenses	134,762	155,619
	<b>136,032</b>	<b>156,966</b>

### 13 SIGNIFICANT INTERESTS

The Company has a holding of 3% or more that is material in the context of the financial statements in the following investments. No consolidation is required because the Company does not exercise or hold significant influence over operating and financial policies of these investee companies.

Name of undertaking	Percentage of ordinary shares held by Company
	%
Sportsweb.com	11.4
Mediwatch	8.4
Bright Things	6.2
ID Data	6.0
RTC Group	6.0
Lilestone	5.8
Arcontech	5.4
Coolabi	5.4
First Artist Corporation	5.3
Infonic	5.2
Omega Diagnostics Group	4.8
Lo-Q	4.7
ILX Group	4.2
1st Dental Laboratories	4.1
Green Compliance	3.9
Savile Group	3.8
Freshwater UK	3.5
Kiotech International	3.2
Intelligent Environments Group	3.0

### 14 CALLED UP SHARE CAPITAL

	Authorised £	Number of shares	Issued and fully paid £	Number of shares
As at 31 January 2009	5,000,000	100,000,000	2,158,947	43,178,940
Ordinary shares of 5p bought for cancellation	–	–	(61,025)	(1,220,503)
<b>As at 31 January 2010</b>	<b>5,000,000</b>	<b>100,000,000</b>	<b>2,097,922</b>	<b>41,958,437</b>



## 15 RESERVES

	Share premium account £	Merger reserve £	Special reserve £	Capital redemption reserve £	Share options reserve £	Capital reserve Gains and losses on sales of investments £	Investments holding gains and losses £	Revenue reserve £
31 January 2009	2,954,794	16,492,539	18,112,911	577,481	–	3,231,816	(24,594,920)	264,545
Re-purchase and cancellation of ordinary shares	–	–	(423,158)	61,025	–	–	–	–
Net gain on the realisation of investments	–	–	–	–	–	48,762	–	–
Increase in unrealised depreciation	–	–	–	–	–	–	(748,014)	–
Amortisation of discount on fixed interest securities	–	–	–	–	–	–	(25,095)	–
Transfer on disposal of investments	–	–	–	–	–	(2,604,701)	2,604,701	–
Costs charged to capital	–	–	–	–	–	(216,224)	–	–
Retained net loss for the year	–	–	–	–	–	–	–	(31,843)
<b>31 January 2010</b>	<b>2,954,794</b>	<b>16,492,539</b>	<b>17,689,753</b>	<b>638,506</b>	<b>–</b>	<b>459,653</b>	<b>(22,763,328)</b>	<b>232,702</b>

The special reserve was created out of the cancellation of the share premium account on 15 March 2002. The special reserve, capital reserve and revenue reserve are distributable reserves.

The changes in the special reserve arise from the repurchase of 1,220,503 of the Company's ordinary shares for cancellation at a total consideration of £423,158.

The merger reserve was created from the merger with Singer & Friedlander AIM VCT and Singer & Friedlander AIM 2 VCT in February 2006. The merger reserve is a non-distributable reserve.

## 16 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share at 31 January 2010 has been calculated by reference to net assets of £17,802,541 (2009: £19,198,113) and 41,958,437 (2009: 43,178,940) ordinary shares, being the number of ordinary shares in issue at the year end.

## 17 RECONCILIATION OF NET DEFICIT BEFORE TAXATION TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	Year ended 31 January 2010	Year ended 31 January 2009
	£	£
Net deficit before taxation	(972,414)	(14,067,134)
Net losses on investments at fair value	724,347	14,685,951
Decrease in share option provision	–	(33,875)
Decrease in debtors	12,980	7,017
Decrease in creditors and accruals	(20,604)	(195,881)
Interest reinvested	–	(1,480)
Amortisation of discount on fixed interest securities	(25,095)	(20,534)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(280,786)</b>	<b>374,064</b>

## 18 RECONCILIATION OF NET CASH FLOW TO NET FUNDS

	Opening net funds At 1 February 2009	Movement in year	Closing net funds At 31 January 2010
	£	£	£
Cash at bank	2,000,041	(1,998,703)	1,338
Bank overdraft	–	(25,299)	(25,299)
	<b>2,000,041</b>	<b>(2,024,002)</b>	<b>(23,961)</b>

## 19 COMMITMENTS AND CONTINGENCIES

At 31 January 2010, there were no commitments or contingent liabilities (2009: none).

## 20 USE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments comprise securities, cash balances and debtors and creditors that arise from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income.

The principal risks arising from the Company's financial instruments are, market risk (comprising interest rate risk and other price risk) and liquidity risk. The Company has little exposure to credit risk and has no exposure to foreign currency risk.

The risk management policies of the Company have not changed since the previous year and are discussed below.

### a) Market risk

Market risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements.

The Board, through the nominated Director, considers each investment purchase to ensure that any acquisition allows the Company to maintain an appropriate spread of market risk. In addition it considers each investment to ensure that it falls within the VCT qualifying criteria at the time of purchase. It also considers the associated business risks of investing in each individual company. These include, but are not restricted to, the industry sector, management expertise and financial stability of each company.

The Company does not use derivative instruments to hedge against market risk.

## b) Market price risk

Market price risks (i.e. changes in market price other than those arising from interest rate risk or currency risk) may affect the value of the portfolio.

### Management of the risk

The Board of Directors manages the risks inherent in the investment portfolios by ensuring full and timely reporting of relevant information from the Investment Manager. Investment performance is reviewed at each Board meeting. The Board monitors the Investment Manager's compliance with the Company's objectives, and is directly responsible for investment strategy and asset allocation.

The Company's exposure to other changes in market prices at 31 January on its investments is as follows:

	31 January 2010	31 January 2009
	£	£
Investments at fair value	17,894,745	17,274,269

### Other price risk sensitivity

If the investment portfolio valuation fell by 10% at 31 January 2010 the impact on net assets and the return/(loss) for the year would have been negative £1,789,000 (2009: £1,727,000), the management fee accrual would have reduced by £3,000 (2009: £3,000). If the investment portfolio valuation rose by 10% the impact on net assets and the return/(loss) for the year would have been positive £1,789,000 (2009: £1,727,000), the management fee accrual would also have increased by £3,000 (2009: £3,000).

In order to provide further information on the valuation techniques used to measure assets carried at fair value, the measurement basis has been categorised into a "fair value hierarchy" as follows:

#### – Quoted market prices in active markets – "Level 1"

Inputs to Level 1 fair values are quoted prices in active markets for identical assets. An active market is one in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company's investments classified within this category are AIM quoted companies, fully listed companies, PLUS market traded companies and UK Government loans.

#### – Valued using models with significant observable market parameters – "Level 2"

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The Company has one bond investment classified within this category.

#### – Valued using models with significant unobservable market parameters – "Level 3"

Inputs to Level 3 fair values are unobservable inputs for the asset. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset. The Company's unquoted equities and loan stock are classified within this category. As explained in note 1, unquoted investments are valued in accordance with the International Private Equity and Venture Capital Association ("IPEV") guidelines.

### Financial assets at fair value through profit or loss

As at 31 January 2010	Level 1 £	Level 2 £	Level 3 £	Total £
Equity shares	13,432,590	–	335,515	13,768,105
Bonds	4,026,640	100,000	–	4,126,640
	<b>17,459,230</b>	<b>100,000</b>	<b>335,515</b>	<b>17,894,745</b>

The table below shows movements in the assets measured at fair value based on Level 3 valuation techniques for which any significant input is not based on observable market data.

### Level 3 financial assets at fair value through profit or loss

As at 31 January 2010	Equity shares £	Bonds £	Total £
Opening balance at 1 February 2009	1,556,440	100,000	1,656,440
Transfers to Level 3 (see details below)	3,286,831	–	3,286,831
Purchases	–	160,000	160,000
Total net losses recognised in the income statement	(4,507,756)	(260,000)	(4,767,756)
<b>Closing balance at 31 January 2010</b>	<b>335,515</b>	<b>–</b>	<b>335,515</b>

The following stocks delisted during the financial year and moved from Level 1 to Level 3 – Aero Inventory, Chromogenex, Optimisa, Playgolf Holdings, Pubs 'N' Bars, Relax Group & Smallbone.

The bond's value was written down to zero during the year.

#### c) Currency risk

All of the Company's assets, liabilities and income are denominated in Sterling (the Company's functional currency and presentational currency) and there is no holdings in overseas investments. As a result, the Company does not have any exposure to currency risk.

#### d) Interest rate risk

The exposure to interest rate risk arises due to the short time to maturity of the fixed rate financial assets, as it may not be possible to reinvest in assets which provide the same rates of those currently held. Interest is earned on cash balances at banks at variable rates.

### Management of the risk

The majority of the Company's financial assets are non-interest bearing. As a result, the Company's financial assets are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Derivative contracts are not used to hedge against the exposure to interest rate risk.

Financial assets are disclosed in the Investment Portfolio Summary on pages 9 to 17.

The interest rate profile of the Company's financial assets at 31 January 2010 was:

	Financial assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	13,768,105	–	–	13,768,105		
Bonds	–	4,126,640	–	4,126,640	2.209	2.97
Cash	–	–	(23,961)	(23,961)		
Debtors	67,789	–	–	67,789		
<b>Total</b>	<b>13,835,894</b>	<b>4,126,640</b>	<b>(23,961)</b>	<b>17,938,573</b>		

The interest rate profile of the Company's financial assets at 31 January 2009 was:

	Financial assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	11,459,601	–	–	11,459,601		
Bonds	–	5,814,668	–	5,814,668	3.678	1.14
Cash	–	–	2,000,041	2,000,041		
Debtors	80,769	–	–	80,769		
<b>Total</b>	<b>11,540,370</b>	<b>5,814,668</b>	<b>2,000,041</b>	<b>19,355,079</b>		

The variable rate is based on the banks' deposit rate which at 31 January 2010 was 0.05% (2009: 0.20%).

It is, and has been throughout the year under review, the Company's policy that no trading in derivative financial instruments shall be undertaken.

The Company's investments in equity shares and similar instruments have been excluded from the interest rate risk profile as they have no maturity date and would thus distort the weighted average period information.

Financial liabilities are creditors which are due within one year as disclosed in note 12 and a bank overdraft of £25,299. No interest is paid on the creditors and the overdraft is subject to a variable rate of interest of 1.50%. The Company finances its operations through its issued share capital and existing reserves.

#### Interest rate sensitivity

If the bank base rate had increased by 1%, the impact on the return/(loss) would have been negative £240 (2009: positive £20,000). If the bank base rate had decreased by 1%, the impact on the return/(loss) would have been positive £240 (2009: negative £20,000). The calculations are based on the cash balances as at the respective balance sheet dates, including the overdraft and are not representative of the year as a whole.

#### e) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Details of the Company's investment portfolio at the balance sheet date are disclosed in the Investment Portfolio Summary on pages 9 to 17. The investments the Company holds are primarily quoted on AIM where the liquidity is generally below that of securities quoted in the main market. The ability of the Company to realise positions may therefore be restricted when there are no willing purchasers.

The Company also holds unquoted equity investments which are not traded on a recognised exchange and which generally could be considered to be illiquid. As a result the Company may not be able to liquidate quickly some of these investments in order to meet its liquidity requirements. The list of the unquoted investments are disclosed in the Investment Portfolio Summary on pages 9 to 17.

#### Management of the risk

The Board mitigates this risk by seeking to ensure that an appropriate proportion of the Company's investment portfolio is invested in cash and quoted securities that are readily realisable, which are sufficient to pay creditors and accrued expenses and to meet any funding commitments that may arise.

#### Liquidity risk exposure

Financial liabilities are creditors which are due within one year as disclosed in note 12.

#### f) Credit risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

#### Management of the risk

Credit risk is managed as follows:

- investment transactions are carried out with a large number of approved brokers, whose credit-standard is reviewed periodically by the investment manager, and limits are set on the amount that may be due from any one broker.
- cash at bank is held only with reputable banks and is subject to continual review.

None of the Company's financial assets or liabilities are secured by collateral or other credit enhancements.

In summary, compared to the amounts included in the balance sheet, the maximum exposure to credit risk at 31 January was as follows:

	31 January 2010		31 January 2009	
	Balance sheet	Maximum exposure	Balance sheet	Maximum exposure
	£	£	£	£
Current assets:				
Other debtors (amounts due from brokers, dividends and interest receivable)	67,789	67,789	80,769	80,769
Cash at bank	1,338	1,338	2,000,041	2,000,041

None of the Company's financial liabilities are past due or impaired.

#### g) Fair values of financial instruments

The balances in respect of debtors and creditors represent the fair values as determined by the Board of Directors in accordance with the Company's accounting policies. These balances are the carrying amounts as stated in the balance sheet. There is no material difference between the fair value of debtors and cash as debtors are short term in nature. The Company's equity and preference shares are valued at fair value.

Unquoted investments are stated at the fair value with reference to the International Private Equity and Venture Capital Valuation ("IPEV") guidelines where appropriate.

There are no committed undrawn facilities as at year end.

#### **h) Derecognition of financial assets and liabilities**

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or where the Company commits to transfer substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation of the Company specified in the contract is discharged, cancelled or expired.

#### **i) Capital management policies and procedures**

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders.

The Board with the assistance from the investment manager monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the need to buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (i.e. share premium or discount)
- the need for new issue of equity shares; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

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

### **21 RELATED PARTY TRANSACTIONS**

On 21 October 2008, Williams de Broë Limited acquired an economic interest in the business operations of Singer & Friedlander Investment Management Limited and the investment management staff of Singer & Friedlander Investment Management Limited transferred to the employment of Williams de Broë Limited. Williams de Broë Limited were appointed formally as investment manager and Evolution Group Services Limited as the company secretary on 28 April 2009. The fee arrangements for these services and the fees payable are set out in notes 3 and 5. Accrued balances at the year end were £22,721 (2009: £24,030) and £17,942 including VAT (2009: £25,875 including VAT), respectively. The interests of the Directors are set out on page 23.

### **22 INVESTMENT IN SUBSIDIARY**

During the year, the Company created the subsidiary, Singer & Friedlander AIM 3 VCT Limited, for the purpose of keeping the Singer & Friedlander AIM 3 VCT PLC name. The issued share capital is 1 share with the nominal value of £1 and is owned 100% by ViCTory VCT PLC. There have been no transactions in this company during the year.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the eighth Annual General Meeting of the Company will be held at 5<sup>th</sup> Floor, 120 Old Broad Street, London EC2N 1AR on Tuesday 15 June 2010 at 3.00pm for the following purposes:

## ORDINARY BUSINESS

To consider and, if thought fit, to pass the following as Ordinary Resolutions:

1. To receive and adopt the Company's Annual Accounts for the year ended 31 January 2010 together with the Directors' report and the auditors' report on those accounts and on the auditable part of the Directors' remuneration report.
2. To approve the Directors' Remuneration Report for the financial year ended 31 January 2010.
3. To re-elect Mr J Hambro as a Director of the Company, who is retiring by rotation.
4. To re-elect Mr M Killingley as a Director of the Company, who is retiring by rotation.
5. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company until the conclusion of the next Annual General Meeting of the Company, to be held in 2011.
6. To authorise the Directors to fix the auditors' remuneration.

## SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions; Resolutions 7 and 8 as an Ordinary Resolution and Resolutions 9 and 10 as Special Resolutions of the Company:

7. (i) THAT, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £290,207 during the period commencing on the passing of this Resolution and expiring on the earlier of the date of the annual general meeting of the Company to be held in 2011 and the date which is 15 months after the date on which this resolution is passed (unless the authority is previously revoked, varied or extended by the Company in general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry; and  
(ii) THAT, all previous authorities given to the Directors in accordance with Section 551 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect.
8. THAT, the Company's investment mandate be and is hereby replaced in its entirety by a new investment mandate as presented below:
  - 1) **Investment Objective**

The Investment objectives of the Company are to generate tax free capital gains and income on investors' funds through investment primarily in AIM-traded companies whilst mitigating risk appropriately within the framework of the structural requirements imposed on all VCTs.
  - 2) **Risk Diversification**

Portfolio risk will be mitigated through appropriate diversification of holdings within the relevant portfolio. Within the 3 year VCT investment period for each pool of Ordinary Shares, the Company intends to have invested between 70 and 85 per cent. in Qualifying Investments (AIM/PLUS Market listed or to be listed companies, or companies that are likely to be the subject of a sale within 24 months), 0 to 30 per cent. in non-Qualifying Investments (companies quoted in London on the LSE or AIM or likely to be quoted in London within 12 months or companies likely to be the subject of a trade sale within 24 months) and 0 to 30 per cent. in cash, cash equivalents, government and investment grade bonds.



### 3) Asset Allocation

The Manager intends that by the date from which all funds raised are required to meet the VCT qualifying rules, the Company's investment profile will be approximately:

- (i) Between 70 and 85 per cent. in Qualifying Investments, whether equity or non-equity securities in (a) companies traded on AIM or on PLUS Markets, or (b) companies likely to seek a quotation on AIM or on PLUS Markets within a 24 month period, or (c) likely to be the subject of a trade sale within a 24 month period. The issues in which the Company will invest (whether equity or non-equity securities, in AIM or PLUS Markets traded companies) will be either secondary offerings by existing AIM-traded companies or primary offerings when a company is admitted to trading on AIM for the first time;
- (ii) Between 0 and 30 per cent. in non-qualifying investments in small and mid-sized companies where such companies are either (a) quoted in London (b) likely to seek a quotation in London within a 24 month period, or (c) likely to be the subject of a trade sale within a within 24 months period;
- (iii) Between 0 and 30 per cent. in cash or cash equivalents (including money market funds) or government or investment grade bonds.

In accordance with the conditions for eligibility as an investment company under the Companies Act 2006, any holdings by the Company in shares or other securities in a company will not represent more than 15 per cent. by value of the Company's investments.

While Qualifying investments are being sourced, the assets of the portfolio which are not in Qualifying Companies will be actively invested by the Manager in a combination of the above (always ensuring that no more than 15 per cent. of the Company's funds are invested in any one entity).

#### (iv) Change in Investment Policy

A change in the investment policy of the Company will be only effected with Shareholders' approval in accordance with the Listing Rules.

### Special Resolutions

9. The Directors be and are hereby empowered pursuant to Section 570 and 573 of the Act to allot or make offers or agreements to allot equity securities as defined in Section 560 of the Act for cash pursuant to the authority given pursuant to Resolution 8 set out in this notice of Annual General Meeting as if section 561(1) of the Act did not apply to such allotment provided that this power shall expire on the date falling 15 months after the date of the passing of this resolution and provided further that this power shall be limited to the allotment and issue of equity securities in connection with:
- (i) the allotment of equity securities with an aggregate nominal value of up to but not exceeding 10% of the issued ordinary share capital where the proceeds of the allotment are to be used in whole or in part to purchase the Company's Ordinary Shares, and
  - (ii) the allotment of equity securities from time to time with an aggregate nominal value of up to but not exceeding 5% of the issued Ordinary Share capital of the Company.

10. THAT, the Company be and is hereby authorised in accordance with section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of 5p each in the capital of the Company provided that:

- (i) the maximum number of ordinary shares hereby authorised to be purchased is an amount equal to 14.99% of the issued ordinary share capital as at the date of the annual general meeting; and
- (ii) the minimum price (exclusive of expenses) which may be paid for such ordinary shares is 5p per share, being the nominal amount thereof;
- (iii) the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be an amount equal to the higher of: (i) 5% above the average of the middle market quotations for such shares taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made; and (ii) the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from The London Stock Exchange Trading System SETS;
- (iv) the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the end of the Annual General Meeting of the Company to be held in 2011 and the date which is 18 months after the date on which this resolution is passed; and
- (v) the Company may make a contract to purchase its own ordinary shares under the authority conferred by this resolution prior to the expiry of such authority, and such contract will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of its own ordinary shares in pursuance of any such contract.

**By order of the Board**  
**The City Partnership (UK) Limited**  
**Company Secretary**  
**19 May 2010**

**Registered Office:**  
**27/28 Eastcastle Street**  
**London**  
**W1W 8DH**

# Notes

1. A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.
2. To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited by 3 p.m. on 13 June 2010 at the offices of Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Completion of the Form of Proxy will not prevent you from attending and voting in person.
3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company as at 3 p.m. on 13 June 2010 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting 48 hours before the time appointed for the adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
4. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
5. The following documents are available for inspection at the registered office of the Company, 27/28 Eastcastle Street, London W1W 8DH during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Meeting:
  - (a) copies of letters of appointment of the Directors; and
  - (b) copies of the articles of association of the Company

Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

# Shareholder Information

## **Share price**

The Company's shares are listed on the London Stock Exchange. The mid-price of the Company's shares is given daily in the Financial Times in the Investment Companies section of the London Share Service.

## **Net asset value per share**

The Company's net asset value per share as at 31 January 2010 was 42.43p. The Company normally announces its net asset value on a weekly basis.

## **Financial calendar**

The Company's financial calendar for the year to 31 January 2011 is as follows:

May 2010	Final report for the year ended 31 January 2010 published
June 2010	Interim Management Statement released
June 2010	Annual General Meeting (London)
September 2010	Half-yearly report for the half-year to 31 July 2010 published
November 2010	Interim dividend paid (if applicable)
November 2010	Interim Management Statement released

## **Annual general meeting**

The annual general meeting of the Company will be held on 15 June 2010 at 3.00pm at 5<sup>th</sup> Floor, 120 Old Broad Street, London EC2N 1AR.

The annual general meeting will include a presentation from the fund manager.

# Directors, Manager and Advisers

## Directors

Christopher John Leon Moorsom  
James Daryl Hambro\*  
Mike Sedley Killingley\*  
David Michael Page\*  
Dominic Marius Dennis Anthony Wheatley  
(resigned 15 September 2009)

\*Independent non-executive Directors.

All the Directors above are of:  
27/28 Eastcastle Street  
London W1W 8DH

## Secretary

The City Partnership (UK) Limited  
Thistle House  
21 Thistle Street  
Edinburgh EH2 1DF

## Manager (up to 22 March 2010)

Williams de Broë Limited  
*(Authorised and regulated by the  
Financial Services Authority)*  
Austin Friars House  
2-6 Austin Friars  
London EC2N 2HD

## Manager (from 22 March 2010)

Amati Global Investors Limited  
*(Authorised and regulated by the  
Financial Services Authority)*  
76 George Street  
Edinburgh EH2 3BU

## Solicitors to the Company

Travers Smith LLP  
10 Snow Hill  
London EC1A 2AL

## Independent Auditors

PricewaterhouseCoopers LLP  
Hay's Galleria  
1 Hay's Lane  
London SE1 2RD

## VCT Status Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

## Bankers

National Westminster Bank plc  
City of London Office  
PO Box 12264  
Third Floor  
Princes Street  
London EC3A 7NN

## Administrator

Capita Sinclair Henderson Limited  
Beaufort House  
51 New North Road  
Exeter  
Devon EX4 4EP

## Registrar

Capita IRG plc  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
West Yorkshire HD8 0GA

## Stockbroker

Matrix Corporate Capital LLP  
1 Vine Street  
London W1J 0AH

# Notes



