

AIM Distribution Trust PLC Annual Report

For the year ended
31 March 2000

Registered Number : 3150868



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Company profile

Directors

- Richard Zamboni, FCA, aged 69, was vice chairman and managing director of Sun Life Assurance Society plc until he retired in 1989. He joined Sun Life in 1971, becoming chief accountant and secretary. Under his direction from 1976, funds under management rose from £663 million to over £6.5 billion. Previously he was chief accountant of the British Egg Marketing Board. He was chairman of the Avon Enterprise Fund Limited, a small regional venture capital fund.
- Sir Aubrey Brocklebank, ACA, aged 48, is also a director of the Manager. He worked for Guinness Mahon from 1981 to 1986, initially in its corporate finance department, before helping to establish a specialist development capital department. From 1986 to 1990 he was a director of Venture Founders Limited, managing a £12 million venture capital fund and subsequently managed the Avon Enterprise Fund Limited. He is chairman of Tardis Transcommunications PLC and XS Leisure PLC, as well as being director of several other companies. He was also chairman of Jardinerie Interiors Group PLC until it was sold during the period.
- Stuart Goldsmith, aged 55, is chairman of Ketton Securities Limited, a firm that advises a range of companies on corporate strategy, mergers and acquisitions. From 1978 to 1984 he was the group investment director of Britannia Arrow Holdings PLC and, from 1985 to 1989, he was deputy chairman and chief executive of Fredericks Place Group PLC.
- Christopher Powell, FCA, FCCA, aged 53, is chairman of Britannia Group PLC, a listed company, Pennant International Group PLC, an AIM company, The Paper House Group PLC and Severn Glocon Limited, as well as being a director of a number of other companies. He has spent 20 years in the accounting profession, first with Touche Ross and then with Hazlewoods, an independent firm within the Moores Rowland International group.

Manager

Johnson Fry AIM VCT Managers Limited
20 Regent Street
London SW1Y 4PZ

Investment Adviser

BEST Investment Brokers plc
20 Mason's Yard
Duke St. St James's
London SW1Y 6BU

Secretary and Registered Office

Sinclair Henderson Limited
23 Cathedral Yard
Exeter EX1 1HB

Stockbroker

Shore Capital and Corporate Limited
Bond Street House
14 Clifford Street
London W1X 1RE

Solicitors

Nabarro Nathanson
50 Stratton Street
London W1X 6NX

Auditors

PricewaterhouseCoopers
32 London Bridge Street
London SE1 9SY

Bankers

Lloyds TSB Bank plc
City Office
72 Lombard Street
London EC3P 3BT

Registrars

IRG plc
Balfour House
390/398 High Road
Ilford
Essex IG1 1NQ

Financial highlights

	Year ended 31 March 2000	Year ended 31 March 1999
Total return after tax	£19,128,754	£(1,876,637)
Total return per share	113.84p	(11.15)p
Revenue dividends per share	3.20p	3.60p
(with associated tax credit)	3.56p	4.50p
Capital dividends per share	20.00p	–
(with associated tax credit)	22.22p	–
Extracts from balance sheet		
Net assets	£33,756,562	£18,583,660
Net asset value per share	201.13p	110.59p

Fund objective

To combine the growth opportunities offered by investments in smaller companies whose shares are traded on AIM with the substantial tax reliefs available for investors in Venture Capital Trusts ('VCTs').

Chairman's statement

In presenting the fourth Annual Report and Accounts I am pleased to report a year of exceptional performance for the Trust. The portfolio continues to be substantially invested in a broad range of AIM qualifying investments and the Trust has met the requirements of the VCT rules during the year, with qualifying investments currently in excess of 70%.

I am particularly pleased to note that the distributions of the Trust for the year to 31 March 2000 total 23.2p per share. This includes the capital distribution of 20p paid in April 2000, which the Directors believe is one of the largest capital distributions made by a VCT, and the proposed final dividend of 1.6p. Total distributions, including tax credits available for reclaim by investors since the launch of the Trust on 19 January 1996 to 31 March 2000 are 39.3p per share.

Balance sheet and net assets of the Trust

The net assets of the Trust rose from £18.6m to £33.8m over the year to 31 March 2000, equivalent to an increase in the net asset value per share of 81.9% to 201.13p. The rise in the net asset value per share excluding the effect of the 20p capital distribution is equivalent to 100%.

Whilst the increase in the FTSE AIM Index over the same period was 159.9%, because of the allocation of the portfolio between VCT qualifying AIM traded investments and fixed income stocks, the Trust's performance cannot be compared directly to any single market index.

The Trust realised gains totalling £6.6m during the year compared to £0.3m in the previous year. This is the result of the Trust continuing to realise investments when the opportunity to sell appears appropriate. A total of £4.3m was invested in 26 companies traded on the AIM market during the year. This compares to £4.2m in 11 companies during the previous year.

The fixed income part of the portfolio, consisting of bonds, preference shares and medium term notes, declined slightly over the year.

The Investment Adviser's report on page 6 outlines the performance of the AIM portfolio.

Results and dividends

Revenue from investments for the year amounted to £746,442 (1999 restated: £817,577). As discussed in previous reports, the shift in emphasis towards capital growth has meant that revenue yields have fallen and are likely to continue to do so in future periods. However, I am pleased to report that the total return per share for the year to 31 March 2000 was 113.84p (1999: loss of 11.15p).

The Directors recommend a final revenue dividend of 1.6p (1999: nil), giving a total revenue dividend of 3.2p (1999: 3.6p). The final revenue dividend will be paid on 21 August 2000 to shareholders on the register at close of business on 21 July 2000.

In addition, a capital dividend of 20p was declared during the year (1999: nil) and paid on 7 April 2000.

It is worth noting that the revised investment strategy, as discussed below, is likely to lead to a reduction in the level of dividend that can be paid out of net revenue in future periods. However, the Directors expect that any such reduction will be more than compensated, over the medium term, by the distribution of realised capital gains.

Share price performance

At 30 April 2000, the Trust's share price closed at 138p, a discount of 16.65% to the net asset value. As we have discussed previously, the Directors regard a discount to be unsatisfactory.

Chairman's statement (continued)

Permission was given at the Annual General Meeting held on 18 August 1999, and subsequently by the Courts, to cancel the share premium account and create a new distributable reserve, which enables the Trust to buy back up to 10% of its own ordinary shares in the market where there is a discount to NAV. During the year, two repurchases of 10,000 shares have been made at discounts to NAV of 22.24% and 22.34%.

Investment strategy and future prospects

As outlined in my previous reports, the investment strategy has been revised to focus on companies with potential for capital growth rather than income growth. Indeed, the timing of the change was well judged, as AIM stocks have, in general, produced significant capital gains over the period. Looking forward, we anticipate that valuations of holdings will focus on fundamentals such as income and growth prospects and away from the turnover multiples used to support the dot com companies that have been such a feature of the last quarter in particular.

In order to make the capital distribution, your Company revoked its investment company status and, as it is hoped to make further capital distributions in the future, it is not intended to re-establish investment company status in the near future. However, the Board will continue to monitor this situation. Shareholders will notice that this has resulted in a change in the format of the financial statements.

To ensure that Venture Capital Trust status is retained the Trust needs to continue to hold at least 70% of investments in qualifying holdings. Whilst the Trust has comfortably achieved the required level in the year ended 31 March 2000, the Board has decided to increase the target percentage in AIM securities to nearer 85%, to cope with potential future takeovers, liquidations and other market events.

Since the year end, there has been considerable market volatility. The FTSE AIM Index fell from 2,257 on 31 March 2000 to 1,645 on 31 May 2000, some 27.1%. Despite this market fall, the Trust's portfolio is well placed for the future.

Shareholders who wish to know the latest published net asset value at any time should call 020 7451 1236.

Richard Zamboni
Chairman
AIM Distribution Trust PLC
7 June 2000

Investment Adviser's report

Market background

During the first six months of this financial year smaller company shares generally made good progress on the back of improving prospects for economic growth and a high level of takeover activity. Then, from November until March there was an extraordinary (indeed unprecedented in our experience) surge in the value of technology-related shares.

Portfolio performance

The Trust's portfolio appreciated in value substantially during the year. The largest contributors to this were our most recent investments in technology-related companies, as shown by the following table.

Attribution analysis – top 5 contributors to total recognised gains in the year

£5.1m	Transense Technologies
£2.8m	Sopheon
£1.8m	Affinity Internet
£1.8m	Tardis Transcommunications
£1.4m	Keystone Software

Other significant contributors to portfolio return included Access Plus, Coffee Republic and Connaught. The only significant disappointment during the year was at Shalibane, where together with other VCTs we supported board changes and a refinancing.

Portfolio changes

Takeover bids were received and accepted for three holdings: Cirqual, Style Holdings and Jardinier Interiors Group. Several other holdings were sold following substantial price appreciation, see pages 12 and 13 for a list of portfolio transactions.

A number of new investments were made, of which the most significant in terms of their impact on the portfolio were Sopheon, a leading company in the market for knowledge management software, and Transense Technologies which has developed revolutionary sensors with numerous potential applications, especially in motor vehicles.

During the year enthusiasm for AIM new issues amongst large institutional investors increased dramatically, fuelled by the strong share price gains. As a result, pricing became more aggressive and in some cases it proved difficult to secure adequate allocations. Partly as a response to these factors we began to look more closely at fund raisings by companies on the OFEX market and made a number of investments.

Conclusion

This has been a highly successful year for the Trust, helped by buoyant market conditions. At the year end valuations overall were relatively high and a market correction to flush out some of the speculative money in the market will be healthy in the longer term. The scope for Venture Capital Trusts to take advantage of changes in market valuations is limited, owing to the need to maintain a minimum 70% exposure to qualifying investments at all times. Therefore, shareholders should expect the trend of asset values to be volatile. However, the companies in our portfolio appear to have excellent growth potential and we remain confident for the outlook in the medium term.

BEST Investment Brokers plc
7 June 2000

Portfolio of investments

<i>Company</i>	<i>Nature of business</i>
Access Plus	Printing services to large organisations
ActiveIntranet [†]	Knowledge management software integration
AdVal	Training systems consultants
Alexon Group*	Fashion retailer
Aram Resources	Quarry operator
Blooms of Bressingham	Garden centre operator
Bond International Software	Computer software for recruitment and travel businesses
Cityjobs.com [†]	Internet recruitment consultant
Coffee Republic	Specialist coffee bars
Connaught	Facilities management and buildings maintenance
CRC Group	Computer parts and mobile phone repairer
Dawn Til Dusk Holdings	Convenience stores and freezer centres in northern England
Disperse Technologies [†]	Cosmetic and household product technology development
Dragons Health Club	Health and fitness club operator
Fieldens	Distributor of agricultural equipment
Fountains	Forestry and landscape maintenance company
Highland Timber	Forestry owner
James R Knowles	Consulting and support services to the construction industry
Keystone Software	Computer software for professional practices
Knowledge Management Software [†]	Knowledge management software owner
Optoplast	Spectacle case and jewellery box importer
Pennant International	Military training systems supplier
Premier Direct Group	Selling low-cost consumer goods in workplaces
Shalibane	Manufacturer of components for automotive and consumer goods industries
Sopheon	Knowledge management software house
Synergie.net [†]	Internet and telephone service provider
Tardis Transcommunications	Mobile data communications company
Topnotch Health Clubs	Fitness club operator
Totally	Internet site operator
Transense Technologies	Technology transfer company
UK Directory Holdings	Internet directory publisher
XKO Group*	Enterprise resource management software for SMEs in distribution sector
Xpertise Group	Computer training provider
XS Leisure	American pool table operator

Since the balance sheet date the Trust has made additional investments in the following:

RMR	Internet based conference organiser
Getmapping.com	Aerial photography publisher

* Listed on the London Stock Exchange

† Traded on OFEX

Portfolio of investments

at 31 March 2000

	Value £'000	%	Unrealised gain/(loss) as at 31/03/2000 £'000	Ordinary share capital of investee company %	Reporting year-end	Pre-tax profit/(loss) £'000
Equities traded on AIM, OFEX[†], or listed on the London Stock Exchange*						
Transense Technologies	4,446	11.7	4,233	2.0	31/12/99	(683)
Sopheon	2,815	7.4	2,450	0.7	31/12/99	(2,072)
Tardis Transcommunications	2,304	6.1	1,878	5.5	30/09/99	(1,198)
Access Plus	1,696	4.5	1,125	2.2	31/12/99	3,769
Keystone Software	1,689	4.5	1,143	4.2	31/03/99	(2,400)
XKO Group*	1,643	4.3	1,202	1.4	31/03/99	**(1,603)
Connaught	1,611	4.2	904	5.6	31/08/99	1,767
Coffee Republic	1,363	3.6	481	5.8	31/12/99	(1,831)
Xpertise Group	1,224	3.2	474	8.9	5/01/00	(171)
Premier Direct Group	1,048	2.8	479	8.6	31/07/99	1,011
Blooms of Bressingham	812	2.1	222	4.7	N/A	N/A
Knowledge Management Software [†]	736	1.9	585	0.2	N/A	N/A
ActiveIntranet [†]	663	1.7	265	1.9	N/A	N/A
Dragons Health Club	610	1.6	310	2.5	31/07/99	1,460
UK Directory Holdings	500	1.3	0	4.8	N/A	N/A
XS Leisure	350	0.9	51	3.9	N/A	N/A
Cityjobs.com [†]	290	0.8	90	3.0	N/A	N/A
Disperse Technologies [†]	290	0.8	190	1.2	N/A	N/A
CRC Group	264	0.7	(11)	1.3	31/12/99	791
Fieldens	258	0.7	47	7.0	30/06/99	120
AdVal Group	256	0.7	(94)	3.4	31/03/99	303
Bond International Software	199	0.5	(20)	2.5	31/12/99	(789)
Topnotch Health Clubs	196	0.5	26	0.6	N/A	N/A
Synergie.net [†]	165	0.4	15	2.2	N/A	N/A
Optoplast	161	0.4	(108)	2.4	30/06/99	672
Pennant International	151	0.4	19	0.8	31/12/99	1,004
Alexon Group*	125	0.3	20	0.2	29/01/00	15,025
Fountains	106	0.3	(82)	2.5	30/09/99	(2,018)
Shalibane	95	0.3	(495)	2.3	31/12/98	443
James R Knowles	25	0.1	(60)	0.5	31/07/99	570
Totally	24	0.1	4	0.3	N/A	N/A
Dawn Til Dusk Holdings	0	0.0	(200)	0.0	-	-
	26,115	68.8	15,143			
Unlisted equities						
Recycling Services	98	0.2	(582)	4.7	31/08/99	90
Unlisted convertible stock of AIM companies						
Highland Timber, 5%	750	2.0	0		31/12/99	(670)
Aram Resources, 6%	450	1.2	0		31/12/99	365
Shalibane	200	0.5	0		31/12/98	443
	1,400	3.7	0			
Post balance sheet purchases						
RMR	N/A	N/A	N/A	0.8	N/A	N/A
Getmapping.com	N/A	N/A	N/A	0.5	N/A	N/A

** 15 month period to 31/03/99

*** adjusted pre Rights Issue

Retained profit/(loss) £'000	Net assets/ (liabilities) £'000	Amount invested (cost) £'000	Purchase price per share p	Mid-market price per share as at 31/03/2000 p	Mid-market price per share as at 31/05/2000 p	
(683)	2,081	213	100.9	2,110.0	1,315.0	Transense Technologies
(2,072)	13,479	365	125.7	970.0	502.5	Sopheon
(1,220)	1,580	426	14.0	75.5	53.0	Tardis Transcommunications
1,089	3,122	571	148.2	440.0	380.0	Access Plus
(2,400)	643	546	30.1	93.0	67.0	Keystone Software
(1,620)	27,660	441	120.1	447.5	278.5	XKO Group*
632	5,276	707	125.1	285.0	235.0	Connaught
(1,831)	7,051	882	15.9	24.5	20.3	Coffee Republic
164	8,096	750	26.8	43.7	38.5	Xpertise Group
627	1,654	569	180.1	331.5	287.5	Premier Direct Group
N/A	N/A	590	130.7	180.0	136.0	Blooms of Bressingham
N/A	N/A	151	251.7	1,225.0	*** 552.5	Knowledge Management Software†
N/A	N/A	398	234.1	390.0	260.0	ActiveIntranet†
985	16,431	300	100.0	203.5	182.5	Dragons Health Club
N/A	N/A	500	50.0	50.0	30.5	UK Directory Holdings
N/A	N/A	299	65.0	76.0	65.0	XS Leisure
N/A	N/A	200	50.0	72.5	57.5	Cityjobs.com†
N/A	N/A	100	44.0	127.5	147.5	Disperse Technologies†
6	14,250	275	90.0	86.5	83.5	CRC Group
84	1,526	211	60.1	73.5	66.5	Fieldens
177	2,072	350	65.0	47.5	35.0	AdVal Group
(674)	2,945	219	65.1	59.0	50.5	Bond International Software
N/A	N/A	170	170.0	196.5	143.0	Topnotch Health Clubs
N/A	N/A	150	25.0	27.5	17.5	Synergie.net†
282	3,743	269	128.0	76.5	56.5	Optoplast
450	3,406	132	187.5	215.0	200.0	Pennant International
8,770	72,447	105	63.3	75.5	77.0	Alexon Group*
(2,045)	3,819	88	75.0	42.5	57.5	Fountains
101	7,035	590	139.3	22.5	18.5	Shalibane
220	5,032	85	85.0	25.0	25.0	James R Knowles
N/A	N/A	20	40.0	48.0	30.0	Totally
-	-	200	115.1	0.0	0.0	Dawn Til Dusk Holdings
<hr/>						
10,972						
<hr/>						
112	839	680	89.9	13.0	13.0	Recycling Services
<hr/>						
(670)	9,005	750	100.0	100.0	100.0	Highland Timber, 5%
195	17,510	450	100.0	100.0	100.0	Aram Resources, 6%
220	5,032	200	7.5	7.5	7.5	Shalibane
<hr/>						
1,400						
<hr/>						
N/A	N/A	492	120	N/A	50.5	RMR
N/A	N/A	200	200	N/A	78.0	Getmapping.com
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Summary of investments
at 31 March 2000

	Value £	%	Original cost £
Listed equities	26,114,948	68.8	10,972,270
Unlisted equities	98,410	0.2	680,581
Unlisted convertible stock of AIM companies	1,400,000	3.7	1,400,000
Irredeemable preference shares listed on the London Stock Exchange			
Standard Chartered, 8.25%	778,750	2.1	745,208
Standard Chartered, 7.375%	768,000	2.0	757,551
Co-operative Bank, 9.25%	541,650	1.4	532,223
Ecclesiastical Insurance, 8.625%	516,250	1.4	620,589
National Westminster, 9%	461,663	1.2	478,684
Bank of Scotland, 9.25%	261,500	0.7	240,698
Bank of Scotland, 9.75%	261,487	0.7	240,836
	3,589,300	9.5	3,615,789
Bonds listed on the London Stock Exchange			
European Investment Bank, 7%	502,275	1.3	510,497
First Active, 11.75%	487,813	1.3	557,813
Interamerican Development Bank, 5.25%	474,700	1.3	483,300
Bristol & West, 13.375%	272,625	0.7	294,750
Halifax, 9.375%	192,000	0.5	205,125
	1,929,413	5.1	2,051,485
Medium-term loan notes listed on the London Stock Exchange			
Johnson Fry Finance loan stock 2000 "B", 7%	113,978	0.3	117,676
Johnson Fry Finance loan stock 2000 "C", 0%	106,295	0.3	109,896
Johnson Fry Finance No.2 loan stock 2002 "S", 0%	65,265	0.2	69,690
Johnson Fry Finance loan stock 2000 "D", 7%	58,676	0.2	60,647
Johnson Fry Finance loan stock 2000 "A", 7%	48,423	0.1	49,915
Johnson Fry Finance No. 2 loan stock 2002 "P", 7%	44,357	0.1	46,865
Johnson Fry Finance No. 2 loan stock 2002 "R", 6.9193%	40,735	0.1	43,217
Johnson Fry Finance No. 2 loan stock 2001 "O", 0%	31,024	0.1	32,501
Johnson Fry Finance No. 2 loan stock 2002 "Q", 0%	29,090	0.1	31,002
Johnson Fry Finance loan stock 2001 "G", 0%	28,814	0.1	29,916
Johnson Fry Finance loan stock 2001 "I", 0%	27,862	0.1	28,973
Johnson Fry Finance No. 2 loan stock 2001 "L", 6.5325%	26,506	0.1	31,991

Summary of investments (continued)
at 31 March 2000

	Value £	%	Original cost £
Johnson Fry Finance loan stock 2000 "E", 0%	22,158	0.1	22,940
Johnson Fry Finance No.2 loan stock 2003 "U", 0%	20,177	0.0	21,588
Johnson Fry Finance loan stock 2001 "K", 0%	19,947	0.0	20,800
Johnson Fry Finance No.2 loan stock 2003 "T", 6.8286%	16,548	0.0	17,623
Johnson Fry Finance No.2 loan stock 2001 "N", 6.6727%	15,168	0.0	17,804
Johnson Fry Finance No.2 loan stock 2001 "M", 0%	7,241	0.0	7,566
Johnson Fry Finance loan stock 2001 "J", 6.354%	5,685	0.0	5,971
Johnson Fry Finance loan stock 2001 "H", 6.3%	2,850	0.0	2,956
	730,799	1.9	769,537
Total investments	33,862,870	89.2	19,489,662
Cash	4,097,999	10.8	
Total investments and cash	37,960,869	100.0	

Acquisition of investments

for the year to 31 March 2000

	Number of shares	Cost £
Additions		
Access Plus	400	1,225
ActiveIntranet [†]	170,000	398,000
Affinity Internet	350,500	246,028
Alexon Group*	190,822	121,186
Blooms of Bressingham	451,180	589,652
Cityjobs.com [†]	400,000	200,000
Coffee Republic	3,181,408	381,975
Computerland	1,000	603
Connaught	300	834
Disperse Technologies [†]	227,272	100,000
Dragons Health Club	100	268
Fieldens	1,000	1,095
Focus Solutions	40,000	78,000
Intelligent Environments	130,000	104,000
JSB Software	21,855	49,400
Keystone Software	340,705	398,433
Knowledge Management Software [†]	60,100	151,276
Orchard Furniture	13,293,200	13,293
Pennant International	70,235	131,691
Premier Direct Group	100	492
Recycling Services	1,000	181
Shalibane Convertible Preference	2,666,670	200,000
Sopheon	320,200	402,487
Synergie.net [†]	600,000	150,000
Tardis Transcommunications	2,000	1,291
Topnotch Health Clubs	100,000	170,000
Totally	125,000	50,050
Transense Technologies	250,700	252,867
UK Directory Holdings	1,000,000	500,000
World Careers Network	70,000	77,000
XKO Group*	100	522
Xpertise Group	1,001,000	300,683
XS Leisure	460,000	299,000
Fixed Interest Securities* (various)	N/A	2,787,713
		<hr/> 8,159,245 <hr/>

* Listed on the London Stock Exchange

† Traded on OFEX

Disposal of investments

for the year to 31 March 2000

	Number of shares	Sale proceeds £	Realised profit/(loss) £
Disposals			
Affinity Internet	350,500	2,058,595	1,812,567
Alexon Group*	25,000	40,668	24,791
Bond International Software	25,000	30,439	14,189
Cirqual*	240,000	595,509	271,509
Computerland	66,000	82,335	(38,518)
Connaught	75,000	152,444	58,669
Focus Solutions	40,000	99,002	21,002
Intelligent Environments	130,000	375,497	271,497
James R Knowles	60,000	20,038	(30,962)
Jardinerie Interiors Group	315,000	223,650	(135,450)
JSB Software Technologies	96,855	389,930	190,530
Keystone Software	1,025,000	382,005	279,310
National Westminster, 9%	710,000	1,112,667	241,216
Orchard Furniture	13,293,200	624,872	†268,130
Screen	10,010,000	1,356,221	1,055,643
Sopheon	30,000	412,173	374,590
Style Holdings*	788,100	1,303,336	737,920
Totally	75,000	72,604	42,574
Transense Technologies	40,000	870,250	829,904
Treasury Stock 1999, 10.5%	1,200,000	1,200,000	–
World Careers Network	70,000	153,692	76,692
XKO Group*	50,000	118,561	58,561
		11,674,488	6,424,364
Net brought forward unrealised losses realised in period		–	135,084
		11,674,488	6,559,448

* Listed on the London Stock Exchange

† The gain has been calculated after taking into account the disposal of non-equity holdings

Statement of revenue and capital returns

	Year ended 31 March 2000			Restated (note 1(d)) Year ended 31 March 1999		
	Revenue	Capital	Total	Revenue	Capital	Total
	£	£	£	£	£	£
Gains/(losses) on investments	–	19,847,157	19,847,157	–	(2,258,591)	(2,258,591)
Income	746,442	–	746,442	817,577	–	817,577
Investment management fees	(87,041)	(1,255,907)	(1,342,948)	(69,646)	(208,943)	(278,589)
Other expenses	(121,762)	–	(121,762)	(100,570)	–	(100,570)
<hr/>						
Return on ordinary activities						
before finance costs and tax	537,639	18,591,250	19,128,889	647,361	(2,467,534)	(1,820,173)
Interest payable and similar charges	(135)	–	(135)	–	–	–
<hr/>						
Return on ordinary activities before tax	537,504	18,591,250	19,128,754	647,361	(2,467,534)	(1,820,173)
Tax on ordinary activities	(23,891)	23,891	–	(35,164)	(21,300)	(56,464)
<hr/>						
Return attributable to equity						
shareholders	513,613	18,615,141	19,128,754	612,197	(2,488,834)	(1,876,637)
Dividends in respect of equity shares	(537,718)	–	(537,718)	(604,934)	–	(604,934)
Capital dividend	–	(3,360,739)	(3,360,739)	–	–	–
<hr/>						
Transfer (from)/to reserves	(24,105)	15,254,402	15,230,297	7,263	(2,488,834)	(2,481,571)
<hr/>						
Return/(loss) per ordinary share	3.06p	110.78p	113.84p	3.64p	(14.79)p	(11.15)p

In order to enable the Trust to make a capital distribution, the Trust has revoked its investment company status and is accordingly unable to take advantage of the accounting exemptions that status permits. The results of the Trust set out on page 22 have been prepared in accordance with the requirements of Schedule IV of the Companies Act 1985, which requires that all realised gains and losses, including those arising from the disposal of investments, are included in the profit for the year, and the unrealised capital gains are excluded from the profit for the year.

Notes to the statement of revenue and capital returns

The results presented in the statement of revenue and capital returns (the "Statement") have been included to assist investors in comparing the results of the Company with other Investment or Venture Capital Trusts and also to show the taxation basis of returns. Although the basis of presentation of the Statement and the profit and loss of account on page 22 are different, the total gains recognised in the period together with the net assets attributable to each share remain the same irrespective of the basis of presentation. The Statement does not form part of the financial statements.

Set out below is a comparison of how the returns are recorded in the Statement and the statutory accounts.

	Statement £	Statutory accounts £
Return attributable to equity shareholders	19,128,754	
Profit on ordinary activities after taxation		5,841,045
Unrealised gains for the year		13,287,709
Total	19,128,754	19,128,754
<i>Revenue return after dividends</i>	<i>(24,105)</i>	
Retained profit		1,942,588
Transferred to capital reserve (see note 15)		(1,966,693)
Total	(24,105)	(24,105)
Capital return after dividends	15,254,402	
Transferred to capital reserve (see note 15)		1,966,693
Unrealised gains for the year		13,287,709
Total	15,254,402	15,254,402

The comparative results have been restated to reflect the adoption of Financial Reporting Standard, No. 16: Current Taxation, which states that UK dividends must be disclosed excluding their associated tax credit. The effect of this change of accounting policy is stated in note 1(d). The return attributable to equity shareholders is unaffected by the change.

Reference to revenue and capital in the notes to the financial statements reflect the basis on which taxation is calculated and the treatment applied in determining the amounts available for revenue dividend distribution.

Basic revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £513,613 (1999: £612,197) divided by 16,803,234 (1999: 16,824,874) being the weighted average number of ordinary shares in issue during the year.

Basic capital return per ordinary share is based on net capital profit for the year of £18,615,141 (1999: losses £2,488,834) divided by 16,803,234 (1999: 16,824,874) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The Directors present their report together with the financial statements and report of the Auditors for the year ended 31 March 2000.

Directors' report

Principal activity, business review and future developments

The Trust carries on its activities with a view to ensuring its status as a venture capital trust. The Trust has been provisionally approved by the Inland Revenue as a venture capital trust under Section 842AA of the Income and Corporation Taxes Act 1988. The Directors expect that the Trust will continue with this activity for the foreseeable future so as to continue to meet the requirements of Section 842AA.

On 25 February 2000 the Trust revoked its status as an investment company under Section 266 of the Companies Act 1985. This was to allow it to pay a capital dividend to shareholders, as the distribution of capital profits is prohibited by Section 266. As explained in note 1(a) this has resulted in the Trust being required to produce a profit and loss account rather than a statement of total return.

The profit and loss account for the year is set out on page 22. In order to enable investors to compare the results of the Trust against those of other venture capital trusts and investment trusts and also to show the basis of taxation treatments of returns, a statement of revenue and capital returns is set out on page 14. The business and results of the year are reviewed in the Chairman's statement on pages 4 and 5 and in the Investment Adviser's report on page 6.

Fixed assets

Movements in investments during the year are set out in note 10 to the financial statements on pages 29 and 30.

Results and dividends

Profit after taxation for the year amounted to £5,841,045 (1999: £696,289).

Dividends paid and proposed in respect of the year ended 31 March 2000 are:

	Payment date	Amount (net pence per share)
First interim dividend	22/12/99	1.6p
Capital dividend	07/04/00	20.0p
Final dividend proposed	21/08/00	1.6p

The Directors are recommending a final dividend for the year ended 31 March 2000 of 1.6p per share payable on 21 August 2000 to shareholders on the register at close of business on 21 July 2000.

Directors and their interests

The Directors of the Trust who held office throughout the year are as shown on page 2.

Under the Articles of Association, at the Annual General Meeting Messrs Powell and Zamboni shall retire by rotation and, being eligible, offer themselves for re-election.

Sir Aubrey Brocklebank is a director of Johnson Fry AIM VCT Managers Limited and as such is interested in the investment management agreement. He is also chairman of Tardis Transcommunications and was chairman of Jardinerie Interiors Group until it was recently sold, companies in which the Trust has had an investment, although he was appointed to these boards subsequent to the Trust making its initial investments. He is also chairman of XS Leisure.

Mr Powell is chairman and significant shareholder of Pennant International Group in which the Trust has an investment.

All of the Directors have a contract of service with the Trust, which is terminable on three months' rolling notice, subject to retirement by rotation and earlier cessation for any reason under the Articles of Association.

Directors' report (continued)

There have been no other contracts or arrangements between the Trust and any Directors at any time during the year.

The interests of the Directors in the shares of the Company are as follows:

	As at 31 March 2000 ordinary 25p shares	As at 31 March 1999 ordinary 25p shares
R F C Zamboni	18,182	18,182
Sir Aubrey Brocklebank	15,001	15,001
S A Goldsmith	10,000	10,000
C C Powell	–	–

All of the Directors' holdings are beneficial and there have been no changes in any of the above holdings up to the date of this Report. No Director holds options to acquire ordinary shares of the Trust.

Management agreements

The Trust's investments are managed by Johnson Fry AIM VCT Managers Limited under an agreement dated 23 February 1996, as amended by a Variation Agreement dated 15 May 2000 and approved at an Extraordinary General Meeting of the Company held on 2 June 2000. Fees receivable under this agreement are set out in note 3 to the financial statements on pages 26 and 27.

Under an agreement dated 28 February 1999, the provision of company secretarial services and the general administration of the Trust, which is the responsibility of the Manager, has been delegated with the Board's consent to Sinclair Henderson Limited. This service is paid by the Manager out of the management fee. The agreement will continue unless terminated by either party on six months' notice.

Share capital

Following the approval of shareholders and the Courts, the Trust's share premium account was cancelled and a special reserve was created. During the year 20,000 ordinary 25p shares were bought back by the Company for cancellation using this special reserve.

Year 2000 issues

The Trust has not had any adverse experience following the advent of the Year 2000. However, the situation is being monitored on an ongoing basis to ensure the continuing operation of the business.

Corporate governance

Statement of compliance with the Combined Code ('the Code')

The Board of Directors acknowledge and endorse the aims and objectives of the Code and, having reviewed the Code, considers that it has complied with the provisions of the Code during the year ended 31 March 2000, subject to the exceptions explained below and its special circumstances as a venture capital trust.

The Board has considered the guidance for Directors on the wider aspects of internal control, as produced by the Turnbull Committee, and confirms that procedures necessary to implement the requirements of the Combined Code relating to internal controls during the year ending 31 March 2001 have been put in place. In the meantime, the Board has taken advantage of the transitional arrangements and will continue to review and report on the Company's system of internal financial controls, as detailed in its report below.

Directors' report (continued)

Board of Directors

The Board consists entirely of non-executive Directors, whose biographies appear on page 2. With the exception of Sir Aubrey Brocklebank, who is a director of Johnson Fry AIM VCT Managers Limited, all the Directors are fully independent of the Manager. The Board is responsible for all matters of direction and control of the Trust, including its investment policy. Given the size and nature of the Board, it is not considered appropriate to appoint a senior independent Director.

A formal schedule of matters specifically reserved to the Board for decision has been adopted. Under the terms of their appointment, the Directors may, in the furtherance of their duties, seek independent professional advice at the expense of the Trust.

The Articles of Association provide for each Director to be put forward for re-election by shareholders at least every three years.

Committees

The Trust has established a number of committees comprising the full Board to control its operations. These include the Audit Committee, which meets at least once a year with the Trust's Auditor, and a Nomination Committee, which will consider the appointment of Directors, meeting as and when required. Both of these Committees have clearly defined, written terms of reference.

A Management Engagement Committee has also been formed, comprising all independent Directors, and will keep under review the appointment and remuneration of the Manager.

All Directors act in a non-executive capacity and the fees for their services are approved by the whole Board. The Company has made the disclosures required by the Stock Exchange for a company with no executive directors. The Directors' remuneration is set out in note 5 to the financial statements.

Company Secretary

The Board has direct access to the advice and services of the Company Secretary, Sinclair Henderson Limited, which is responsible for ensuring that Board and Committee procedures are followed and that the applicable regulations are complied with. The Secretary is also responsible to the Board for ensuring timely delivery of information and reports and also the statutory obligations of the Company.

Dialogue with shareholders

All Directors are available to enter into dialogue with shareholders. All shareholders have the opportunity to attend and vote at the Annual General Meeting during which the Board and Manager are available to discuss issues affecting the Trust.

Going concern

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

Directors' report (continued)

Internal financial control

The Board is responsible for establishing and maintaining the Trust's systems of internal financial control. Internal control systems are designed to meet the particular needs of the Trust and the risks to which it is exposed, and by their very nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which have been established with a view to providing effective internal financial control are as follows:

- investment management is performed by Johnson Fry AIM VCT Managers Limited. The Board is responsible for setting the overall investment policy and monitors the activity of the Manager at regular Board meetings;
- the Board has set a clearly defined strategy for investment management and regularly reviews and monitors the Trust's investments, liquidity, revenue and expenses. There are fixed criteria for the size and nature of investments which require specific prior Board approval;
- administration and company secretarial duties are performed by Sinclair Henderson Limited;
- custody of assets is undertaken by HSBC Bank plc;
- the duties of investment management, accounting and custody of assets are segregated; the procedures of the individual parties are designed to complement one another;
- the non-executive Directors of the Trust clearly define the duties and responsibilities of their agents and advisers. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved; the Board regularly monitors their ongoing performance and contractual arrangements;
- mandates for the authorisation of investment transactions and expense payments are set by the Board;
- the Board reviews financial information produced by the Manager and the Secretary in detail on a regular basis.

In accordance with guidance issued to directors of listed companies, the Directors have carried out a review of the effectiveness of the systems of internal financial control as they have operated over the year.

Creditor payment policy

It is the Trust's payment policy to obtain the best possible terms for all business and therefore there is no consistent policy as to the terms used. The Trust agrees with its suppliers the terms on which business will take place and it is our policy to abide by those terms. At 31 March 2000, all suppliers' invoices received had been settled.

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 reserve, reflecting the Directors' estimation of the probable split of capital and revenue returns over the life of the Trust. This treatment is also applied to the management incentive fee.

Directors' report (continued)

Substantial shareholders

The Trust has not been informed of any substantial interests in its shares.

Donations

There have been no charitable donations nor subscriptions to political organisations during the year.

Auditors

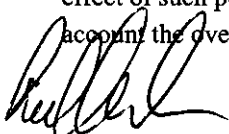
PricewaterhouseCoopers have expressed their willingness to continue in office as Auditors and a resolution proposing their reappointment will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The notice of the Annual General Meeting is on pages 37 to 38.

The Resolutions being proposed as special business at the Annual General Meeting seek to:

1. authorise the Directors to allot relevant securities of the Trust;
2. disapply the pre-emption provisions of Section 95 of the Companies Act 1985, in limited circumstances, and empower the Directors to allot equity securities for cash up to a maximum nominal value of 10% of existing issued share capital of the Trust; and
3. authorise the Trust generally to make market purchases of its own ordinary shares during the forthcoming year up to a maximum of 1,678,369 ordinary shares representing 10% of the issued ordinary share capital and subject to maximum and minimum prices at which such shares may be purchased. The Directors intend to exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be in the best interests of shareholders generally, and after having taken into account the overall position of the Trust.



By order of the Board
Sinclair Henderson Limited
Secretary
7 June 2000

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 Trust and of the results of the Trust 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 Trust 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 Trust and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Trust and hence for *taking reasonable steps for the prevention and detection of fraud and other irregularities.*

Profit and loss account

	Notes	Year ended 31 March 2000		Restated (see note 1(d)) Year ended 31 March 1999	
		£	£	£	£
Revenue received on investments	2		746,442		817,577
Administrative expenses					
Investment management fees	3	(1,342,948)		(278,589)	
Other expenses	4	(121,762)		(100,570)	
			(1,464,710)		(379,159)
Net revenue			(718,268)		438,418
Income from fixed asset investments					
Gains on investments	10(c)		6,559,448		314,335
Profit before interest and tax			5,841,180		752,753
Interest payable and similar charges	6		(135)		–
Profit before tax			5,841,045		752,753
Tax on ordinary activities	7		–		(56,464)
Profit on ordinary activities after taxation			5,841,045		696,289
Dividends					
Revenue	8	(537,718)		(604,934)	
Capital	8	(3,360,739)		–	
			(3,898,457)		(604,934)
Retained profit			1,942,588		91,355
Transfer to capital reserve	15		(1,966,693)		(84,092)
Retained revenue (losses)/profits			(24,105)		7,263
Earnings per share	9		34.76p		4.14p

Statement of total recognised gains and losses

		Year ended 31 March 2000 £	Year ended 31 March 1999 £
Profit for the year		5,841,045	696,289
Unrealised gains/(losses) for the year	15	13,287,709	(2,572,926)
Total recognised gains and losses during the year		19,128,754	(1,876,637)
Total recognised gain/(loss) per share		113.84p	(11.15)p

All returns are derived from continuing activities.

The notes on pages 25 to 35 form part of these financial statements.

Balance sheet

	Notes	31 March 2000 £	31 March 1999 £
Fixed assets			
Investments	10	33,862,870	17,560,673
Current assets			
Debtors	12	625,793	485,959
Cash at bank and in hand	20	4,097,999	1,083,627
		4,723,792	1,569,586
Creditors: Amounts falling due within one year	13	(4,830,100)	(546,599)
Net current (liabilities)/assets		(106,308)	1,022,987
Net assets		33,756,562	18,583,660
Capital and reserves			
Called up share capital	14	4,195,924	4,200,924
Share premium account	15	–	12,476,013
Special reserve	15	12,418,617	–
Capital reserve – realised	15	2,706,208	874,599
Capital reserve – unrealised	15	14,373,208	950,414
Capital redemption reserve	15	5,000	–
Revenue reserve	15	57,605	81,710
Equity shareholders' funds	16	33,756,562	18,583,660
Net asset value per share			
Ordinary shares	1(b) and 17	201.13p	110.59p

The financial statements on pages 22 to 35 were approved by the Board of Directors on 7 June 2000 and signed on their behalf by:

R F C Zamboni
Chairman



The notes on pages 25 to 35 form part of these financial statements.

Cash flow statement

	Notes	Year ended 31 March 2000 £	Year ended 31 March 1999 £
Operating activities			
Investment income received		674,479	685,926
Deposit interest received		65,111	159,506
Investment management fees paid		(357,532)	(268,152)
Other expenses paid		(120,237)	(86,570)
Net cash inflow	19	261,821	490,710
Servicing of finance			
Interest paid		(135)	–
Net cash outflow		(135)	–
Taxation			
UK corporation tax paid		(67,954)	(20,769)
Net cash outflow		(67,954)	(20,769)
Capital expenditure and financial investment			
Purchase of investments		(8,159,245)	(7,576,261)
Disposal of investments		11,577,346	(7,576,261)
Net cash inflow/(outflow)		3,418,101	(536,814)
Dividends			
Equity dividends paid		(571,326)	(604,876)
Net cash inflow/(outflow) before financing		3,040,507	(671,749)
Financing			
Issue of ordinary shares		–	101,998
Repurchase of ordinary shares		–	(78,039)
Expenses of share issue/repurchase		(26,135)	(5,088)
Net cash (outflow)/inflow from financing		(26,135)	18,871
Increase/(decrease) in cash	20	3,014,372	(652,878)

The notes on pages 25 to 35 form part of these financial statements.

Notes to the financial statements

1. Accounting policies

The financial statements have been prepared under the historical cost convention as modified by the inclusion of investments at Directors' valuation and in accordance with applicable Accounting Standards in the United Kingdom.

The principal accounting policies are set out below.

a) Presentation of financial statements

In order to enable the Trust to make a capital distribution, the Trust has revoked its investment company status and is accordingly unable to take advantage of the accounting exemptions that status permits. The results of the Trust set out on page 22 have been prepared in accordance with the requirements of Schedule IV of the Companies Act 1985.

Reference to revenue and capital in the notes to these financial statements reflect the basis on which taxation is calculated and the treatment applied in determining the amounts available for revenue dividend distribution.

b) Investments

Investments are treated as fixed assets and are shown in the balance sheet at Directors' valuation on the following basis:

Listed investments, including those traded on the Alternative Investment Market ('AIM') and off-exchange ('OFEX'), are valued at mid-market price as at the balance sheet date. The Directors are conscious of the fact that because shares are traded on AIM and OFEX this does not guarantee their liquidity. The nature of AIM and OFEX investments is such that the prices can be volatile and realisation may not achieve current book value, especially when such sale represents a significant proportion of that company's market capital. Nevertheless, on the grounds that the investments are not intended for immediate realisation, they regard mid-market price as the most objective and appropriate method of valuation.

Unlisted fixed interest securities are at Directors' valuation based on the assumption that they will be held to maturity. To the extent that such securities are purchased at a premium to nominal value, the premium is amortised to revenue over the remaining life of the security in such a way as to maintain a consistent return for the Trust over the period the securities are held. If there is no fixed period of investment for a security no adjustment is made in respect of any premium paid.

c) Revenue

Dividends receivable on quoted equity shares and undated non-equity shares are brought into account on the ex-dividend date.

Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield on the shares.

The return on fixed interest securities is recognised on a time apportionment basis from the date of purchase so as to reflect the effective yield on the securities.

d) Change in accounting policy

Following its publication earlier in the year, the requirements of Financial Reporting Standard, No.16: Current Taxation have been adopted for the first time this year. The effect of adopting the standard has been to reduce income for the year by £46,844 (1999: £110,084) and reduce taxation by £46,844 (1999: £110,084). Profit on ordinary activities after taxation and net assets are unaffected by the change.

Notes to the financial statements (continued)

2. Income	Year ended 31 March 2000 £	Restated (note 1(d)) Year ended 31 March 1999 £
Income from investments		
Dividends	418,049	482,448
Interest	210,312	187,499
	628,361	669,947
Other income		
Deposit interest	118,081	147,630
Total income	746,442	817,577

3. Investment management fees	Year ended 31 March 2000			Year ended 31 March 1999		
	Revenue*	Capital*	Total	Revenue*	Capital*	Total
	£	£	£	£	£	£
Annual management fee (a)	6,768	20,307	27,075	6,633	19,901	26,534
Management incentive fee						
– to 30 September 1999 (b)	24,894	74,683	99,577	63,013	189,042	252,055
– from 1 October 1999 (c)	55,379	166,138	221,517	–	–	–
Capital dividend incentive fee (d)	–	994,779	994,779	–	–	–
	87,041	1,255,907	1,342,948	69,646	208,943	278,589

* As discussed in note 1(a), the split between revenue and capital is for information purposes and does not form part of the financial statements.

The Trust's investments are managed by Johnson Fry AIM VCT Managers Limited (the 'Manager') of which the Trust owns 2 'A' ordinary shares representing all of that class of shares and 2% of the total share capital. Although the Manager is a subsidiary of the Trust by virtue of the fact that the Trust has the right to appoint or remove the board of directors, consolidated accounts have not been prepared as the amounts involved are immaterial. At 31 March 2000 the capital and reserves and profit for the year of the Manager was £100 and nil respectively.

The Manager has been appointed for a term of at least five years from 26 February 1996. The agreement appointing the Manager can only be terminated after 23 February 2001 and only by either the Trust or the Manager giving 12 months' notice.

The Manager is entitled to the following fees:

- a) A fee payable quarterly in advance originally set at £25,000 per annum subject to annual increases in line with the Retail Price Index.
- b) Until 30 September 1999, the Manager was also paid a management incentive fee equal to one-third of the dividend plus related tax credit.

Notes to the financial statements (continued)

3. Investment management fees (continued)

- c) With effect from 1 October 1999 in addition to the fee payable quarterly in advance as described in (a) above, the Manager receives a management fee calculated at the rate of 1.5% per annum of the value of assets under management, accrued quarterly in arrears.
- d) From the same date, the incentive fee is 25% of the aggregate amount of any cash distributions (before deduction of the incentive fee and net of any associated tax credit that is non-reclaimable by investors) in excess of a hurdle rate of 4.5p per share paid to shareholders for the period concerned. If the hurdle of 4.5p per share is not met in a particular year the shortfall will be carried forward to subsequent years and taken into account when calculating any future incentive fee. The incentive fee will be calculated on 31 March each year, with the first such fee being in respect of the six months ended 31 March 2000.

4. Other expenses

	Year ended 31 March 2000 £	Year ended 31 March 1999 £
Auditors' remuneration (including irrecoverable VAT) for:		
– audit	13,921	11,579
– other services provided to the Trust	3,043	–
Directors' emoluments (note 5)	57,737	48,250
Registrar fees	7,790	8,924
Other expenses	39,271	31,817
	121,762	100,570

5. Directors' emoluments

	Fees £	Irrecoverable VAT £	Employers' NI £	Year ended 31 March 2000 Total £	Year ended 31 March 1999 Total £
R F C Zamboni	15,000	–	1,243	16,243	13,750
Sir Aubrey Brocklebank	12,000	2,100	–	14,100	11,750
S A Goldsmith	12,000	–	1,294	13,294	11,000
C C Powell	12,000	2,100	–	14,100	11,750
	51,000	4,200	2,537	57,737	48,250

The fees in respect of Sir Aubrey Brocklebank and C C Powell were paid to third parties.

The remuneration of the highest paid Director was £15,000.

No other emoluments or pension contributions were paid by the Trust to or on behalf of any Director.

Notes to the financial statements (continued)

6. Interest payable and similar charges	Year ended			Year ended		
	31 March 2000			31 March 1999		
	Revenue	Capital	Total	Revenue	Capital	Total
	£	£	£	£	£	£
Interest on bank overdraft	135	–	135	–	–	–
	135	–	135	–	–	–

7. Tax on ordinary activities	Year ended 31 March 2000			Restated (note 1(d)) Year ended 31 March 1999		
	Revenue	Capital	Total	Revenue	Capital	Total
	£	£	£	£	£	£
UK corporation tax at 20% (1999: 21%)	23,891	(23,891)	–	34,548	(34,548)	–
Underprovision for tax in previous year	–	–	–	616	–	616
Irrecoverable ACT written off	–	–	–	–	55,848	55,848
	23,891	(23,891)	–	35,164	21,300	56,464

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

8. Dividends	Year ended	Year ended
	31 March 2000	31 March 1999
	£	£
Revenue dividends on equity shares		
Interim paid of 1.6p per share (1999: 1.8p)	268,859	302,467
Second interim paid of nil per share (1999: 1.8p)	–	302,467
Final proposed of 1.6p per share (1999: nil)	268,859	–
Capital dividends on equity shares		
Dividend declared of 20.0p per share (1999: nil)	3,360,739	–
	3,898,457	604,934

9. Earnings per share

Basic earnings per ordinary share is based on the retained profit on ordinary activities after taxation of £5,841,045 (1999: £696,289) divided by 16,803,234 (1999: 16,824,874) being the weighted average number of ordinary shares in issue during the year.

Notes to the financial statements (continued)

10. Investments	31 March	
	2000	1999
(a)	£	£
Investments listed on the London Stock Exchange (note 10(b))	8,017,479	8,225,901
Investments of companies traded on AIM (note 10(b))	23,602,984	9,334,772
Investments of companies traded on OFEX (note 10(b))	2,143,997	–
Unlisted investments (note 10(b))	98,410	–
	33,862,870	17,560,673

(b)	Investments listed on the London Stock Exchange £	Investments in companies traded on AIM £	Investments in companies traded on OFEX £	Unlisted investments £	Total £
Valuation at 31 March 1999	8,225,901	9,334,772	–	–	17,560,673
Unrealised (appreciation)/depreciation	(1,642,770)	692,355	–	–	(950,415)
Cost at 31 March 1999	6,583,131	10,027,127	–	–	16,610,258
Purchases	2,909,421	4,250,363	999,280	181	8,159,245
Amortisation	26,833	–	–	–	26,833
Partial liquidation	–	(56,550)	–	–	(56,550)
Sale proceeds	(4,370,743)	(7,303,745)	–	–	(11,674,488)
Realised gains on sales	1,334,000	5,090,364	–	–	6,424,364
Investment now listed on stock exchange	500,400	(500,400)	–	–	–
Investment delisted	–	(680,400)	–	680,400	–
Cost at 31 March 2000	6,983,042	10,826,759	999,280	680,581	19,489,662
Unrealised appreciation/(depreciation)	1,034,437	12,776,225	1,144,717	(582,171)	14,373,208
Valuation at 31 March 2000	8,017,479	23,602,984	2,143,997	98,410	33,862,870
Equities	1,767,967	22,202,984	2,143,997	98,410	26,213,358
Unlisted convertible stock	–	1,400,000	–	–	1,400,000
Irredeemable preference shares	3,589,300	–	–	–	3,589,300
Bonds	1,929,413	–	–	–	1,929,413
Medium term notes	730,799	–	–	–	730,799
	8,017,479	23,602,984	2,143,997	98,410	33,862,870

Notes to the financial statements (continued)

10. Investments (continued)	Year ended 31 March 2000 £	Year ended 31 March 1999 £
(c)		
Realised gains	6,424,364	554,346
Brought forward net unrealised losses/(gains) realised in the year	135,084	(240,011)
Realised gains for the year	6,559,448	314,335
Unrealised gains/(losses) for the year	13,287,709	(2,572,926)
Total gains/(losses)	19,847,157	(2,258,591)

A full list of the portfolio holdings by their aggregate market values is on pages 8 to 11 of the Annual Report.

11. Significant shareholdings

Details of all material investments are set out in the portfolio of investments on page 8.

12. Debtors: amounts receivable within one year	31 March 2000 £	31 March 1999 £
Taxation	238,425	202,557
Prepayments and accrued income	233,676	283,402
Sales for future settlement	153,692	–
	625,793	485,959

13. Creditors: amounts falling due within one year	31 March 2000 £	31 March 1999 £
Taxation	4,526	72,480
Declared dividends		
– revenue	268,859	302,467
– capital	3,360,739	–
Accrued expenses	1,164,715	171,652
Repurchase of shares	31,261	–
	4,830,100	546,599

Notes to the financial statements (continued)

14. Share capital

	Authorised £	Number of shares	Issued and fully paid £	Number of shares
Ordinary shares of 25p each				
At 31 March 1999	6,000,000	24,000,000	4,200,924	16,803,698
Shares repurchased during the year				
– 22 March 2000	–	–	(2,500)	(10,000)
– 23 March 2000	–	–	(2,500)	(10,000)
At 31 March 2000	6,000,000	24,000,000	4,195,924	16,783,698

On 22 March 2000, 10,000 shares were repurchased for cancellation for a total consideration of £15,640.25.

On 23 March 2000, 10,000 shares were repurchased for cancellation for a total consideration of £15,620.25.

15. Reserves

	Share premium £	Special £	Capital realised £	†Capital unrealised £	Capital redemption £	Revenue £
At 1 April 1999	12,476,013	–	874,599	950,415	–	81,710
Transfer*	(12,476,013)	12,476,013	–	–	–	–
Share repurchases	–	(31,261)	–	–	–	–
Repurchase expenses	–	(26,135)	–	–	–	–
Cancellation of repurchased shares	–	–	–	–	5,000	–
Brought forward losses realised in year	–	–	(135,084)	135,084	–	–
Unrealised gains for the year	–	–	–	13,287,709	–	–
Retained profit/(loss) for the year	–	–	1,966,693	–	–	(24,105)
At 31 March 2000	–	12,418,617	2,706,208	14,373,208	5,000	57,605

* On 15 September 1999, the court approved a scheme whereby the share premium account was reduced by £12,476,013 and a special reserve of £12,476,013 was created.

† The Capital – unrealised reserve represents the Company's revaluation reserve.

The retained capital profit for the period comprises:

	£
Realised gains arising in the year	6,559,448
Capital expenses	(1,255,907)
Tax relief thereon	23,891
Capital dividend	(3,360,739)
	1,966,693

Notes to the financial statements (continued)

16. Reconciliation of movements in shareholders' funds	Year ended		Year ended	
	31 March		31 March	
	2000		1999	
	£	£	£	£
Balance as at 1 April		18,583,660		21,046,360
Total recognised gains and losses arising during the year		19,128,754		(1,876,637)
Dividends		(3,898,457)		(604,934)
Movement in share capital				
– share issue	–		96,910	
– share repurchase and repurchase expenses	(57,395)		(78,039)	
		(57,395)		18,871
Balance as at 31 March		33,756,562		18,583,660

17. Net asset value per share

The net asset value per share at 31 March 2000 has been calculated by reference to net assets of £33,756,562 (1999: £18,583,660) and 16,783,698 (1999: 16,803,698) ordinary shares.

18. Contingent liabilities and commitments

There were no contingencies or financial commitments at 31 March 2000 (1999: £nil).

19. Cashflow from operating activities	Year ended		Year ended	
	31 March		31 March	
	2000		1999	
	£	£	£	£
Net revenue before taxation		(718,268)		438,418
Tax deductible at source from investment income		(35,867)		(102,673)
Amortisation charge		(26,833)		25,085
Decrease in accrued income		55,850		105,442
Increase in accrued expenses		993,063		24,420
(Increase)/decrease in other debtors		(6,124)		18
		261,821		490,710

20. Reconciliation of net cash flow to net funds	Year ended		Year ended	
	31 March		31 March	
	2000		1999	
	£	£	£	£
Net cash inflow/(outflow)		3,014,372		(652,878)
Change in net funds		3,014,372		(652,878)
Opening net funds		1,083,627		1,736,505
Closing net funds		4,097,999		1,083,627

Notes to the financial statements (continued)

21. Post balance sheet events

There were no post balance sheet events.

22. Analysis of financial assets and liabilities

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

The Trust has little exposure to credit and cash flow risk and no exposure to foreign currency risk.

The Trust finances its operations through its issued capital and existing reserves and has little exposure to interest rate risk.

The principal risks the Trust faces in its portfolio management activities are:

- interest rate risk
- market price risk, i.e. movements in the value of investment holdings caused by factors other than interest rate movement
- liquidity risk

The Manager's policies for managing these risks are summarised below and have been applied throughout the year and the preceding year:

(i) Market risk

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

The investments the Trust holds are, in the main, thinly traded and as such the prices are more volatile than those of *more widely traded securities*. In addition, the ability of the Trust to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The ability of the Trust to purchase or sell investments is also constrained by the requirements set down for venture capital trusts.

The Board (or a nominated Director) considers each investment purchase to ensure that an acquisition will enable the Trust to continue to have an appropriate spread of market risk and that an appropriate risk reward profile is maintained.

It is not the Trust's policy to use derivative instruments to mitigate market risk, as the Board believes that the effectiveness of such instruments does not justify the costs involved.

(ii) Interest rate risk

The Trust does not have any interest bearing liabilities. The Trust holds fixed rate assets, the price of which may be effected by changes in expectations over future interest rates. In addition whilst the income received from fixed rate securities is unaffected by changes in interest rates, the Trust may not be able to secure equivalent rates when securities mature.

The money held on deposit earns interest at variable rates and the income may rise or fall depending on changes to interest rates. It is the Board's policy not to hedge against interest rate movements.

22. Analysis of financial assets and liabilities

(iii) Liquidity risk

Although the majority of the Trust's investments are less liquid than securities listed on the main market the Board seeks to ensure that an appropriate proportion of the Trust's investment portfolio is invested in cash and readily realisable securities, which are sufficient to meet any funding commitments that may arise.

Although the Trust is permitted to do so, the Manager has not sought to use derivative instruments during the year under review.

As required by Financial Reporting Standard, No. 13: Derivatives and other financial instruments, an analysis of financial assets and liabilities, which identifies the risk of the Trust of holding such items, is given below:

Financial assets

The Trust holds fixed asset investments which are traded on AIM, OFEX or listed on the London Stock Exchange. These assets are discussed fully in the Investment Adviser's report and are listed on pages 7 to 11. All of the Trust's assets are in sterling and accordingly the Trust has no direct currency exposure.

The interest rate profile of the Trust's financial assets at 31 March 2000 was:

	Total	Financial assets on which no interest is paid	Floating rate financial assets	Fixed rate financial assets	Weighted average interest rate (%)	Average period to maturity (yrs)
	£	£	£	£		
Equity shares	26,213,358	26,213,358	—	—	—	—
Preference shares	3,589,300	3,589,300	—	—	—	—
Convertible Stock						
Preference shares	200,000	200,000	—	—	—	—
Bonds	3,099,774	357,873	—	2,741,901	5.40	5.43
Other bonds (with no fixed maturity date)	760,438	—	—	760,438	12.33	N/A
Cash	4,097,999	—	4,097,999	—	—	—
Debtors	625,793	625,793	—	—	—	—
	38,586,662	30,986,324	4,097,999	3,502,339		

A detailed breakdown of securities is shown on pages 7 to 11.

Notes to the financial statements (continued)

22. Analysis of financial assets and liabilities (continued)

The interest rate profile of the Trust's financial assets at 31 March 1999 was:

	Total	Financial assets on which no interest is paid	Floating rate financial assets	Fixed rate financial assets	Weighted average interest rate (%)	Average period to maturity (yrs)
	£	£	£	£		
Equity shares	9,469,276	9,469,276	–	–	–	–
Preference shares	5,682,637	5,682,637	–	–	–	–
<hr/>						
Convertible Stock						
Bonds	1,200,000	–	–	1,200,000	5.38	6.32
<hr/>						
Treasury Stock	1,208,760	–	–	1,208,760	10.50	0.13
Cash	1,083,627	–	1,083,627	–	–	–
Debtors	485,959	485,959	–	–	–	–
<hr/>						
	19,130,259	15,637,872	1,083,627	2,408,760		
<hr/>						

For 1999 the weighted average period to maturity for fixed interest securities was 3 years and the weighted average interest rate was 8%.

The cash at bank interest rate is based on HSBC Global Investor Services' mid rate less 0.5% updated daily. No interest is receivable for balances less than £25,000.

Financial liabilities

Primarily the Trust finances its operations through its issued capital and existing reserves. The only financial liabilities of the Trust are creditors which are due within one year, as disclosed in note 13. No interest is paid on these liabilities and they are all in sterling.

Fair values of financial assets and financial liabilities

All of the financial assets of the Trust are held at fair value.

23 Related party transactions

Under the terms of an agreement dated 23 February 1996, the Trust has appointed Johnson Fry AIM VCT Managers Limited to be the Investment Manager. The fee arrangements for these services and fees payable are set out in note 3. The interests of the Directors are set out on page 17.

Report of the Auditors to the Members of AIM Distribution Trust PLC

We have audited the financial statements on pages 22 to 35 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page 25.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 21, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on page 17 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

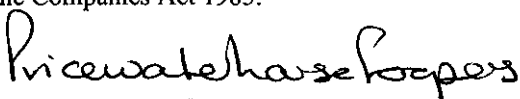
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2000 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London

7 June 2000

Notice of Meeting

Notice is hereby given that the Annual General Meeting of AIM Distribution Trust PLC will be held at 20 Regent Street, London SW1Y 4PZ at 11.00 am on 16 August 2000 for the following purposes:

Ordinary business

1. To receive and adopt the financial statements and the reports of the Directors and Auditors for the year ended 31 March 2000.
2. To declare a final dividend in respect of the year ended 31 March 2000.
3. To re-elect as a Director Mr C C Powell, who retires by rotation and, being eligible, offers himself for re-election.
4. To re-elect as a Director Mr R F C Zamboni, who retires by rotation and, being eligible, offers himself for re-election.
5. To reappoint PricewaterhouseCoopers as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.

Special business

6. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

That in substitution for any previous authority, the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (the 'Act') to exercise all or any of the powers of the Trust to allot relevant securities (within the meaning of Section 80 (2) of the Act) of the Trust up to an aggregate nominal amount of 5,594,566 ordinary shares of 25p each, having an aggregate nominal value of £1,398,641.50, such authority to expire (unless previously renewed, varied or revoked by the Trust in General Meeting) on 15 November 2001 or, if earlier, at the conclusion of the next Annual General Meeting of the Trust following the passing of this Resolution, save that the Trust may prior to such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.

To consider and, if thought fit, pass the following resolutions 7 and 8 as Special Resolutions:

7. That subject to the passing of Resolution 6 above, the Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 (the 'Act') to allot equity securities (within the meaning of Section 94(2) of the Act) in the capital of the Trust for cash pursuant to the authority conferred by Resolution 6 as if Section 89(1) of the Act did not apply to such allotment provided that this power:
 - (a) shall expire on 15 November 2001 or, if earlier, at the conclusion of the next Annual General Meeting of the Trust following the passing of this Resolution, save that the Trust may prior to such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired; and
 - (b) shall be limited:
 - (i) to the allotment of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of shares on the register on a fixed record date or dates in proportion (as nearly as may be) to their then holdings, subject only to the Directors having a right to make such arrangements in connection with such offer as they deem necessary or expedient to deal with equity securities representing fractional entitlements or to deal with equity securities which the

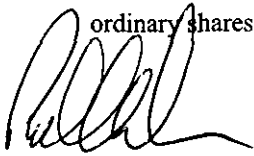
Notice of Meeting (continued)

Directors consider it necessary or expedient to exclude from the offer on account of either legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or stock exchange; and

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities for cash limited to an aggregate nominal amount of £419,592.

8. THAT the Trust be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 ('the Act') to make one or more market purchases (within the meaning of Section 163(3) of the Act) on the London Stock Exchange Limited of ordinary shares of 25p each in the capital of the Trust provided that:

- (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 1,678,369 shares representing 10% of the Trust's issued ordinary share capital as at the date hereof;
- (b) the minimum price which may be paid for an ordinary share shall be 25p per share;
- (c) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than the lower of (i) net asset value per share and (ii) 105% of the average of the middle market quotations for an ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date on which the ordinary shares are purchased; and
- (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Trust or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Trust may before such expiry enter into a contract to purchase ordinary shares which will or may be completed wholly or partly after such expiry.



By order of the Board
Sinclair Henderson Limited
Secretary
7 June 2000

Registered Office
23 Cathedral Yard, Exeter EX1 1HB

Notes

A member entitled to attend and vote at this meeting may appoint one or more proxies to attend and vote in his or her stead. A proxy need not also be a member of the Trust. To be effective, forms of proxy must be lodged with the Trust's Registrars, IRG plc, Balfour House, 390-398 High Road, Ilford, Essex IGI 1BR, not less than 48 hours before the time appointed for holding the meeting. Lodgement of the form of proxy will not preclude a shareholder from attending the meeting and voting in person.

The following documents will be available for inspection at the registered office of the Trust during usual business hours on any weekday (except Saturdays and Public Holidays) until the date of the meeting and at the place of the meeting for a period of 15 minutes prior to and during the meeting:

- a) Copies of all Directors' service agreements and a statement of all transactions of each Director and of their family interests in the share capital of the Trust;
- b) The Memorandum and Articles of Association.

**AIM Distribution Trust PLC
Form of proxy for Annual General Meeting
to be held on 16 August 2000**

I/We. (BLOCK CAPITALS please)
being a holder/s of ordinary shares in AIM Distribution Trust PLC and entitled to attend and vote at the above
Annual General Meeting, hereby appoint the duly elected Chairman* of the Meeting or failing him

.
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Trust to be held at
20 Regent Street, London SW1Y 4PZ at 11.00 am on 16 August 2000 and at any adjournment thereof in respect
of the resolutions set out in the Notice of Meeting.

- Resolution Number 1 – To receive and adopt the Report and Accounts
- Resolution Number 2 – To declare a final dividend
- Resolution Number 3 – To re-elect Mr C C Powell as a Director
- Resolution Number 4 – To re-elect Mr R F C Zamboni as a Director
- Resolution Number 5 – To reappoint PricewaterhouseCoopers as Auditors
- Resolution Number 6 – To authorise the allotment of relevant securities up to the value
of £1,398,641.50
- Resolution Number 7 – To disapply the pre-emption provisions
- Resolution Number 8 – To authorise the repurchase up to 10% of the issued shares

	For	Against

Dated Signed

Notes

- 1 *If any other proxy is preferred, strike out the reference to the Chairman stated above, add the name of the proxy you wish to appoint and initial the alteration. Failure to initial the alteration will deem the Chairman of the Meeting to be your proxy. A proxy need not be a member of the Trust.
- 2 If the appointor is a Corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
- 3 Please insert an 'X' in either the 'For' or 'Against' column. If both spaces are left blank, the proxy will exercise his/her discretion as to whether, and if so, how he/she votes.
- 4 To be valid, this form of proxy must be completed and deposited at the office of the Trust's Registrars, IRG plc, Balfour House, 390-398 High Road, ILFORD, Essex, IG1 1BR, not later than 48 hours prior to the time fixed for the holding of the Meeting.
- 5 In the case of joint holders, only one need sign but the names of all the joint holders should be shown.
- 6 The completion and return of this form of proxy will not preclude you from attending and voting at the meeting should you subsequently decide to do so.

Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No. ANG 1468



First
fold

**IRG plc
BALFOUR HOUSE
390-398 HIGH ROAD
ILFORD
ESSEX
IG1 1BR**

Second fold