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Legg Mason Investors AIM Distribution Trust plc

Annual Report for the year ended
31 March 2002

Contents

Company profile

Directors

- Sir Aubrey Brocklebank, BSC ACA, aged 50, 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 a director of several other companies.

- Stuart Goldsmith, aged 57, 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.

- Roger Jeynes, aged 49, is an executive director of Interregnum plc, an AIM listed company that helps technology businesses develop, fund and implement innovative marketing and expansion plans. He is a mathematics graduate and has spent his working life in technology with companies such as IBM, Pyramid Technology and EMC.

- Christopher Powell, FCA, FCCA, aged 55, is chairman of Pennant International Group plc and Transport Systems plc, both AIM companies, and The Paper House Group plc and Severn Glocon plc, 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
AIM VCT Managers Limited
32 Harbour Exchange Square
London E14 9GE

Investment Adviser
LeggMason Investors Asset Managers plc
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Secretary and Registered Office
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Teather and Greenwood Limited
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32 London Bridge Street
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HSBC Bank plc
Mariner House
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London EC3N 4DA

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

Financial highlights

	Year ended 31 March 2002	Year ended 31 March 2001
Total loss after tax†	**£(6,460,418)**	£(12,281,770)
Total loss per share†	**(38.67)p**	(73.37)p
Movement in net assets*	**(32.4)%**	(39.3)%
Movement in FTSE AIM Index	**(28.2)%**	(48.1)%
Revenue dividends per share	**0.35p**	1.75p
Capital dividends per share	**nilp**	9.00p
Cumulative dividends per share**	**47.80p**	47.45p

† Total return represents the total profit on ordinary activities, together with losses on investments.

Extracts from balance sheet

Net assets	**£13,069,454**	£19,588,352
Net asset value per share	**78.22p**	117.23p

* Includes adjustments to exclude the effects of the capital dividends.

** Includes reclaimable tax credits paid to eligible shareholders prior to the abolition of ACT in 1999.

Fund objective

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

Chairman's statement

I have pleasure in presenting the Company's sixth annual report for the year ended 31 March 2002. The portfolio continues to be invested in a range of AIM qualifying stocks and continues to meet the requirement of VCT rules. At the date of this report, qualifying investments are 82%, comfortably in excess of the 70% minimum.

I commented at the interim stage on the events of 11 September. The view then was that there remained a degree of caution, and that smaller companies were worst hit following a flight to perceived quality in the form of bonds and large blue chip companies. However, at that time, recovery of global equity markets was anticipated to take place in 2002.

In the event, the broad based recovery of most indices following the initial impact of the events of 11 September tailed off in December. The combination of Enron and Global Crossing each filing for bankruptcy triggered a bout of nervousness that saw markets post significant losses in January and February. The major global indices staged a strong recovery in early March, however the FTSE AIM index, which historically lags the main markets, has not yet recovered significantly from the lows of early October.

Balance sheet and net assets

The net asset value per share of the Company fell 33.3% over the year, from 117.23p to 78.22p.

This compares to a fall in the FTSE AIM index of 28.2%, although as in previous periods because of the allocation of the portfolio between AIM investments, fixed income stocks, and OFEX companies, the Company's performance cannot be directly compared to any single market index.

VCT deal flow started the year strongly, but slowed during the summer months and is only now starting to show signs of improvement. Despite this the Company has been able to liquidate significant fixed income stocks, underperforming equities and equities which have reached a satisfactory price and purchase new qualifying holdings and other investments. Sale proceeds from disposals totalled £7.6m. A total of £6.7m investments were made during the year, of which £3.0m were in companies traded on the AIM market. Of the AIM investments made, £2.4m were in VCT qualifying investments.

The report of the Adviser on page 6 outlines the performance of the portfolio.

Results and dividend

Total income for the period amounted to £299,224 (2001: £599,715).

The fall in the value of investments during the year resulted in net capital losses. This is in line with markets in general. However, in accordance with VCT regulations, the Company will distribute 85% of income from shares and securities. Accordingly, the Directors declare a revenue dividend of 0.35p per share payable on 28 June 2002 to shareholders on the register at the close of business on 31 May 2002. As noted above, as a result of net capital losses for the year, a capital dividend will not be paid.

Change of name and company secretarial arrangements

During the year, the name of the Company was changed to Legg Mason Investors AIM Distribution Trust plc. This change reflected the fact that the investments are now managed by Legg Mason Investors, part of the Legg Mason Inc. group, one of the largest financial services companies in the US with $177 billion under management as at 31 March 2002.

The Board have decided to appoint Cogent Secretarial Services Limited ("Cogent") to act as Company Secretary of the Company. All future correspondence in relation to the Company should be directed to Cogent, contact details for whom can be found on page 2.

Shareholder relations

Shareholders who wish to know the latest published net asset value at any time may call Legg Mason Investors on 020 7070 7400. Alternatively, the Legg Mason Investors' website includes this and other information on the Company. The address of the website is www.leggmasoninvestors.com.

Chairman's statement (continued)

Prospects

Since the year end, the FTSE AIM index has fallen from 841.15 on 31 March 2002 to 833.42 on 30 April 2002, a decrease of 0.92%, and to 834.98 on 13 May 2002, a decrease of 0.73%. The Company's net asset value has decreased by 0.83% in April 2002, to 77.57p per share as at 30 April 2002.

It is typical of this phase of the market cycle that companies at the smaller end of the market capitalisation spectrum lag their larger counterparts. As the market recovery process matures and we start to see smaller companies participate in the rally the Company will be well positioned for the anticipated return to growth.

Future of the Company

When the Company was launched it was envisaged that all realised profits of an income or capital nature would be distributed to Shareholders. Initially the investment focus was on generating income for revenue distributions, however as the AIM market became more established the new entrants were predominantly "growth" companies with little or no dividend payout policy. As a result of this, your Board changed the strategy to focus on investments that would deliver the potential for capital gains.

Since inception the Company has distributed revenue and capital dividends totalling 47.8p per share, free of tax, which taken together with net assets of 78.2p as at 31 March 2002 represents 126.0p total value for Shareholders. For a Shareholder who claimed both income tax relief and capital gains tax deferral, thereby having an effective original cost of 40.0p per share, this is a substantial return, equivalent to an estimated internal rate of return of 17.6% compound per annum. For those Shareholders who did not defer capital gains tax the return is equivalent to 9.1% compound per annum.

The Company has had and continues to have advantageous tax breaks, even for investors who buy shares already in issue – in particular both revenue and capital distributions are tax free. For this reason it was envisaged that the Company should not have a fixed life. However, in the event that circumstances should change, for example the tax reliefs available to this type of Company, Article 26 of the Articles of Association allows Shareholders to review the future of the Company every five years. The corresponding resolution allows for Shareholders to require the Directors to draw up proposals for the voluntary liquidation, unitisation or other reorganisation of the Company, to be submitted to Shareholders at an Extraordinary General Meeting within nine months of the ordinary resolution not being passed.

The Inland Revenue are proposing to introduce legislation in the Finance Act 2002 to enable the mergers of VCTs and the liquidation of VCTs within a certain time period, without the loss of tax reliefs for the VCT and its investors. The Board and its advisers are actively considering the implications of this proposed legislation.

Your Board believes that when the AIM market recovers the Company will again be able to distribute realised capital gains to shareholders on a tax free basis. Closing the fund in the short term could result in returns to shareholders below the net asset value, because of the current lack of liquidity in the stocks of some of the investee companies on the AIM market, and the high costs of liquidation. Furthermore, closing the fund would crystallise capital gains tax liabilities which have been deferred by Shareholders. Therefore, your Board does not consider that now would be a good time to liquidate the fund, especially whilst the tax consequences of doing so remain untested. Accordingly, your Board urges you to vote in favour of the resolution to continue for five years, at which time there will be another opportunity to vote on the issue.

Sir Aubrey Brocklebank, Chairman
22 May 2002

Investment Adviser's report

Performance

In the six months since our interim report, the net asset value of the Company fell by 1% to 78.22p. This compares to a rise in the FTSE AIM index of 2.5% over the same period.

Over the year this equates to a fall of 33.3% compared with a fall of 28.2% in the FTSE AIM index.

Market review

After the first six months in which markets continued to be entrenched in the bear market that started in March 2000, the last six months has been a tale of two halves as the market digested and reacted to the tragic events in the US on September 11.

After the initial reaction to these events, world markets picked up across the board in the fourth quarter of 2001 as investors sought to increase cyclical exposure and rediscovered an appetite for risk. UK markets were no exception with the FTSE All-Share index rising 7.8% in the quarter.

As we entered 2002 the markets started with a reasonably optimistic background but the Enron situation overshadowed the positive tenor of most company announcements and the market quickly turned negative. The focus of investors' worries shifted from growth to balance sheet and accounting concerns and, as is usually the case in times of uncertainty, small growth stocks suffered disproportionately. This was irrational as many of these businesses have fairly simple accounts based on one or two products with well funded balance sheets but such was the mood of the market.

This grim tone continued into February and it was not until we entered March and the full flow of the reporting season that markets started to recover their poise.

Portfolio review

Deal flow for VCT qualifying securities started the year strongly, although this slowed over the summer months and is only now starting to show signs of life. Good progress has been made in replacing some underperfoming investments with new holdings.

Aero Inventory provide customised paperless procurement and inventory management solutions to companies in the aerospace industry with the aim of reducing costs in the civil aircraft market. In March a major five year contract was signed with Taikoo Aircraft Engineering Company Ltd.

Atlantic Global has developed timesheet and resource management software enabling companies to monitor their project costs. Results showed excellent progress and the company is well placed for a stepped change in contract sizes which will highlight its derisory rating.

Neutech Pharma are developing antibodies to treat life threatening infections either in place of or in conjunction with antibiotics, which are increasingly ineffective when used in isolation as bacteria become resistant. Efficacy trials are underway in Europe for their lead product, with results expected in the fourth quarter of 2002.

Medical House have licensed a needle-free liquid injection system to market in Europe for insulin. The product, which was launched in January, offers reduced pain for patients and therefore better compliance. The early market is likely to be needle phobics but, thereafter, we would expect rapid take up, although the extent of this will depend upon whether the product receives approval for distribution by the NHS.

Investment Adviser's report (continued)

One of the major contributors to the poor performance in the last year has been the Company's largest holding, Transense Technologies. During the period Transense Technologies was a perfect example of a company caught in the early stage of development with a lack of news flow in a very nervous and increasingly short term market. However, despite the disappointing share price the company has made good progress over the last twelve months. In June 2001 a licensing agreement was announced with Michelin for its tyre pressure monitoring and towards the end of the period we have had an announcement to the effect that the company will be in volume production this year, along with clarification of the supply arrangements for the SAWS (Surface Acoustic Wave Devices) which are used to sense tyre pressure. We remain confident of the company's positioning in this market, which we believe will ultimately be reflected in the company's share price.

Other investments held at the start of the period include Connaught who reported a strong set of results with a high level of repeat business and a record order book of £150m. The AGM in January highlighted a slowdown in the Interiors division post September 11 but, with enquiry levels improving, the outlook for the year remains positive.

CRC Group also announced positive results, with record volumes of mobile handsets and set top boxes being serviced in the year. Their relationship with Nokia stands them in good stead as they continue to reinforce their dominant position in the mobile handset market. Repairs of out of warranty set top boxes should also drive growth as the large installed base ages.

Transcomm restructured their business during the year to focus on the Mobitex data network. This has now been completed and connections to the network are progressing well which, with a lower cost base, gives a clear path to profitability.

There have been some disappointments over the course of the last year. Access Plus saw weakness in direct mail and marketing activity and this stock has now been sold. Ongoing concerns over saturation has led to continued weakness in Coffee Republic's share price.

Giardino announced a profit warning in January due to a significant decline in footfall in shopping centres. This undermined our belief that the product offering was sufficiently differentiated to provide protection in a slower High Street environment and as such we sold our entire holding.

Blooms of Bressingham also released a profit warning in January based on over ambitious expectations which marred an otherwise respectable trading performance. Action has now been taken to reduce overheads and this, combined with the benefit of a full year's trading at newly refurbished sites, gives us confidence that this will not be repeated and we have therefore maintained our stake.

We have, though, disposed of our entire positions in Knowledge Management Software, Topnotch Health Clubs, Xpertise Group, Pennant, ID Data, and Getmapping.

Investment Adviser's report (continued)

Outlook

Economic signals continue to improve, signalling a strong initial bounce back in the US economy which, as the engine of the world economy, should drive a global recovery through 2002 and beyond. In fact, the statistics have been so strong that the focus has now shifted to the likelihood of rises in interest rates on both sides of the Atlantic.

We feel talk of interest rate rises is premature. Whilst not complacent to the threat posed by a higher oil price, economic recovery and continued strength in consumer spending, we do feel that both the Federal Reserve and the Monetary Policy Committee are aware of the dangers of stifling the recovery before it has really got underway with early rises in interest rates.

As the recovery continues investor sentiment should improve and, with it, an appetite for risk which has been the major drag on the portfolio with smaller company stocks hit hardest in times of uncertainty. The final piece in the jigsaw is newsflow and, with a series of positive announcements expected from the Company's holdings over the coming quarter, we are confident that we are well placed to recover some of the lost ground over the coming months.

LeggMason Investors Asset Managers plc
22 May 2002

Portfolio of investments

Company	Nature of business
ActiveIntranet†	Knowledge management software integration
AdVal	Training systems consultants
Aero Inventory	Inventory management for aerospace industry
Aortech International*	Provision of medical device products
Aspinalls Online	Casino operators
Associated Network Solutions†	IT systems integration
Atlantic Global	Timesheet and project management software
Autonomy Corp*	Knowledge management software provider
Blooms of Bressingham	Garden centre operator
Bond International Software	Computer software for recruitment and travel businesses
British Photovoltaics	Thin glass solar panel products
Coffee Republic*	Specialist coffee bars
Collins & Hayes	Manufacture of quality upholstered furniture and fabrics
Connaught	Facilities management and buildings maintenance
CRC Group	Computer parts and mobile phone repairer
Deltex Medical	Provision of medical equipment
Disperse Technologies†	Cosmetic and household product technology development
Fieldens	Distributor of agricultural equipment
Fluid Technologies	Provider of technology solutions to the food, beverage, pharmaceutical and cosmetic industries
Highland Timber	Forestry owner
Jacques Vert	Design and retail of ladies' fashion wear
Keystone Solutions*	Timesheet software for professional practices
Lo-Q	Provider of electronic queuing systems for theme parks
Medical House	Development of healthcare products and publication of medical information
Medisys*	Manufacture and sale of healthcare products
Neutec Pharma	Development of antibodies for life threatening infections
New Star Asset Management	Asset management
OMG	Company motion simulation software provider
Overnet Data	Provision of mobile business data solutions
Premier Direct Group	Selling low-cost consumer goods in workplaces
Printing.com†	Business printing services
Pursuit Dynamics	Development of marine propulsion systems
Raft International	Provision of consultancy and software for financial institutions
RMR	Internet based conference organiser
Royalblue Group*	Development of computer software/services for front office trading solutions in equity markets
Sopheon	Knowledge management software house
Synergie.net†	Internet and telephone service provider
Synigence	Medical software provider
Tepnel Life Sciences	Research and development of lifescience, pharmaceutical and food testing products
Top Ten Holdings	Bingo club operator
Torotrak*	Development and licensing of transmission systems
Transcomm	Mobile data communications network operator
Transense Technologies	Automobile sensor technology provider
Triple Arc	Provider of integrated procurement provisions for the printing industry
Turbo Genset*	Small scale power generation products
UK Directory Holdings†	Internet directory publisher
XKO Group*	Enterprise resource management software for SMEs in distribution sector

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

Inter-Alliance Group plc	IFA network
PM Group	Waste management systems

* Listed on the London Stock Exchange
† Traded on OFEX

Unless otherwise stated, investments are in AIM companies.

Portfolio of investments

at 31 March 2002

	Value £'000	%	Unrealised gain/(loss) as at 31/03/2002 £'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	1,181	9.0	1,040	1.1	31/12/01	(918)
Connaught	661	5.1	385	2.1	31/08/01	2,671
CRC Group	617	4.7	340	1.3	31/12/01	5,786
Transcomm	534	4.1	198	2.4	31/12/01	(11,086)
OMG	500	3.8	(100)	1.6	30/09/01	805
Atlantic Global	434	3.3	72	6.4	31/12/01	314
The Medical House	388	3.0	55	1.2	30/06/01	(246)
Lo-Q	318	2.4	18	2.0	30/09/01	(8,408)
Aero Inventory	317	2.4	122	1.0	30/06/01	505
Coffee Republic*	316	2.4	(556)	2.4	31/03/01	(2,403)
Autonomy*	308	2.3	(78)	0.1	31/12/01	9,314
Fluid Technologies	300	2.3	0	N/A	N/A	N/A
Blooms of Bressingham	286	2.2	(304)	1.8	28/01/01	(2,188)
Tepnel Life Sciences	273	2.1	(126)	2.1	30/06/01	(2,693)
TripleArc	270	2.1	21	1.3	31/12/01	(1,595)
Keystone Solutions*	267	2.0	(412)	2.4	31/03/01	(6,016)
Premier Direct Group	260	2.0	(305)	8.6	31/07/01	201
Printing.com†	259	2.0	6	3.7	31/03/01	(1,191)
Aortech International*	258	2.0	(384)	0.6	31/03/01	(6,213)
NeuTec Pharma	241	1.8	16	0.6	N/A	N/A
Turbo Genset*	226	1.7	(222)	0.2	31/07/01	(4,110)
Associated Network Solutions†	198	1.5	(53)	4.0	31/03/01	(530)
Deltex Medical	186	1.4	(72)	2.8	31/12/01	(3,300)
Bond International Software	182	1.4	12	1.8	31/12/00	1,032
Disperse Technologies†	181	1.4	81	1.2	31/08/01	(599)
Collins & Hayes	175	1.3	(125)	1.9	**31/01/02	2,729
XKO Group*	167	1.3	(274)	1.4	31/03/01	(19,611)
Jacques Vert	146	1.1	(4)	2.7	28/04/01	(95)
Medisys*	132	1.0	27	0.1	30/09/01	(7,641)
AdVal Group	121	0.9	(230)	2.3	31/03/01	583
Pursuit Dynamics	65	0.5	(35)	0.5	30/09/01	(1,443)
Fieldens	56	0.4	(148)	6.8	30/06/01	(55,427)
Torotrak*	56	0.4	(307)	0.2	31/03/02	(4,057)
Royalblue*	54	0.4	(39)	0.0	31/12/01	4,197
Raft International	44	0.3	(296)	0.8	31/10/01	(826)
Synigence	38	0.3	(144)	0.7	31/12/00	(750)
Sopheon	32	0.3	(333)	0.3	31/12/01	(34,631)
OverNet Data	25	0.2	(119)	1.6	31/12/00	(1,407)
UK Directory Holdings†	17	0.1	(483)	5.0	31/08/01	(1,917)
Top Ten Holdings (formerly XS Leisure)	15	0.1	(284)	0.2	***30/06/01	(1,994)
RMR	14	0.1	(448)	0.6	28/02/02	(6,345)
Aspinalls Online	12	0.1	(185)	0.5	31/12/00	(804)
ActiveIntranet† (in administration)	0	0.0	(398)	1.8	30/09/00	(2,141)
Synergie.net† (suspended)	0	0.0	(150)	2.2	N/A	N/A
	10,130	77.2	(4,221)			

* Listed on the London Stock Exchange
† Traded on OFEX
** 7 month period
*** 15 month period

Retained profit/(loss) £'000	Net assets/ (liabilities) £'000	Amount invested (cost) £'000	Purchase price per share p	Mid-market price per share as at 31/03/2002 p	Mid-market price per share as at 17/05/2002 p	
(884)	4,590	141	25.2	210.0	222.5	Transense Technologies
1,061	7,278	276	125.1	300.0	307.5	Connaught
2,332	18,977	277	90.4	201.5	242.5	CRC Group
(11,086)	8,663	336	14.0	22.3	22.3	Transcomm
542	8,367	600	75.0	62.5	26.5	OMG
95	5,158	362	25.0	30.0	40.5	Atlantic Global
(236)	3,350	333	52.0	60.5	57.5	The Medical House
(8,408)	14,711	300	106.0	112.5	101.0	Lo-Q
369	4,925	195	230.0	373.0	380.0	Aero Inventory
(2,403)	18,942	872	15.9	5.8	5.3	Coffee Republic*
6,577	119,570	386	514.3	410.5	358.3	Autonomy*
N/A	N/A	300	247.0	247.0	247.0	Fluid Technologies
(2,188)	10,506	590	130.7	63.5	64.0	Blooms of Bressingham
(2,693)	9,457	399	20.0	13.6	15.4	Tepnel Life Sciences
(1,607)	5,965	249	30.0	32.5	29.5	TripleArc
(6,016)	14,711	679	24.8	9.8	9.9	Keystone Solutions*
83	2,556	565	180.1	83.0	79.5	Premier Direct Group
(1,191)	(992)	253	22.0	22.5	17.5	Printing.com†
(6,213)	36,016	642	276.0	111.0	75.0	Aortech International*
N/A	N/A	225	150.0	160.5	145.5	NeuTec Pharma
(4,176)	37,570	448	152.0	76.5	56.0	Turbo Genset*
(464)	1,501	251	50.0	39.5	30.5	Associated Network Solutions†
(3,300)	5,901	258	25.0	18.0	27.5	Deltex Medical
717	1,473	170	65.0	69.5	52.5	Bond International Software
(516)	1,477	100	44.0	79.5	70.5	Disperse Technologies†
1,883	(6,567)	300	60.0	35.0	47.5	Collins & Hayes
(19,360)	(513)	441	120.1	45.5	42.5	XKO Group*
(20)	86	150	10.0	9.8	14.6	Jacques Vert
(7,641)	70,971	105	52.5	65.8	49.0	Medisys*
(269)	3,210	351	52.1	18.0	19.0	AdVal Group
(1,443)	7,735	100	50.0	32.5	35.0	Pursuit Dynamics
(4,879)	1,530	204	60.1	16.5	15.5	Fieldens
(1,410)	30,822	363	171.7	26.5	30.5	Torotrak*
521	17,515	93	1,080.7	630.0	437.5	Royalblue*
(893)	6,282	340	64.0	8.3	8.0	Raft International
(750)	5,444	182	52.0	10.8	9.3	Synigence
(34,631)	21,404	365	125.7	11.0	13.3	Sopheon
(1,407)	2,338	144	75.0	13.0	20.0	OverNet Data
(1,917)	489	500	50.0	1.8	1.8	UK Directory Holdings†
(1,994)	0	299	65.0	3.3	7.8	Top Ten Holdings (formerly XS Leisure)
(6,345)	1,342	462	120.0	3.8	3.8	RMR
(804)	5,116	197	15.0	1.0	0.5	Aspinalls Online
(2,141)	206	398	234.1	0.0	0.0	ActiveIntranet† (in administration)
N/A	N/A	150	25.0	0.0	0.0	Synergie.net† (suspended)
		14,351				

Portfolio of investments (continued)

at 31 March 2002

	Value		Unrealised gain/(loss) as at 31/03/2002	Ordinary share capital of investee company	Reporting year-end	Pre-tax profit/(loss)
	£'000	%	£'000	%		£'000
Other unlisted equities						
New Star Asset Management	100	0.8	2	N/A	N/A	N/A
British Photovoltaics	25	0.2	0	N/A	N/A	N/A
Cityjobs.com (delisted)	0	0.0	(200)	2.7	31/01/00	(565)
Recycling Services (delisted)	0	0.0	(680)	4.7	31/08/99	90
Shalibane (in receivership)	0	0.0	(590)	1.3	31/12/99	(5,915)
Convertible stock of AIM companies						
Highland Timber 5%	591	4.5	(159)	4.1	31/12/01	(164)
British Photovoltaics (unlisted)	225	1.7	0	N/A	N/A	N/A
Rank Group*	145	1.1	(6)	0.01	31/12/01	188,100
Premier Farnell	144	1.1	(3)	0.01	03/02/02	60,000
Shalibane (in receivership)	0	0.0	(200)	N/A	N/A	N/A
Post balance sheet purchases						
Inter-alliance Group	N/A	N/A	N/A	N/A	N/A	N/A
PM Group	N/A	N/A	N/A	N/A	N/A	N/A

* Listed on the London Stock Exchange

Retained profit/(loss) £'000	Net assets/ (liabilities) £'000	Amount invested (cost) £'000	Purchase price per share p	Mid-market price per share as at 31/03/2002 p	Mid-market price per share as at 17/05/2002 p	
N/A	N/A	98	14,700.0	15,000.0	15,000.0	New Star Asset Management
N/A	N/A	25	120.0	120.0	120.0	British Photovoltaics
(565)	2,031	200	2.0	0.0	0.0	Cityjobs.com (delisted)
112	839	680	13.0	0.0	0.0	Recycling Services (delisted)
5,795	1,240	590	139.3	0.0	0.0	Shalibane (in receivership)
(164)	8,169	750	100.0	78.8	78.1	Highland Timber 5%
N/A	N/A	*225*	*120.0*	*120.0*	*120.0*	*British Photovoltaics (unlisted)*
155,800	1,130,500	151	108.0	103.8	104.3	Rank Group*
12,000	111,500	147	1472.8	1,443.8	1,487.5	Premier Farnell
N/A	N/A	200	7.5	0.0	0.0	Shalibane (in receivership)
N/A	N/A	33	70.0	N/A	116.5	Inter-alliance Group
N/A	N/A	200	100.0	N/A	160.0	PM Group

Summary of investments

at 31 March 2002

	Value £	%	Original cost £
Equities traded on AIM, OFEX, or listed on the London Stock Exchange	**10,130,083**	**77.2**	**14,351,076**
Other unlisted equities	**125,020**	**0.9**	**1,594,001**
Listed convertible stock	**880,378**	**6.7**	**1,048,478**
Unlisted convertible stock	**225,000**	**1.7**	**425,000**
Bonds listed on the London Stock Exchange			
First Active, 11.75%	530,688	4.1	557,813
Interamerican Development Bank, 5.25% 2003	500,575	3.8	490,119
	1,031,263	**7.9**	**1,047,932**
Medium-term loan notes listed on the London Stock Exchange or unlisted			
LeggMason Finance No.2 loan stock 2002 "S", 0%	79,370	0.6	81,463
LeggMason Finance No.2 loan stock 2002 "P", 7%	46,762	0.4	47,742
LeggMason Finance No.2 loan stock 2002 "R", 6.9193%	43,005	0.3	44,280
LeggMason Finance No.2 loan stock 2002 "Q", 0%	35,312	0.3	36,224
LeggMason Finance No.2 loan stock 2003 "U", 0%	24,578	0.2	25,280
LeggMason Finance No.2 loan stock 2003 "T", 6.8286%	17,489	0.1	18,183
Shalibane Non-Secured Loan Stock (unlisted)	–	–	66,822
	246,516	**1.9**	**319,994**
Total investments	**12,638,260**	**96.3**	**18,786,481**
Cash	**490,291**	**3.7**	
Total investments and cash	**13,128,551**	**100.00**	

Acquisition of investments
for the year to 31 March 2002

	Number of shares	Cost £
Additions		
Aero Inventory	85,000	195,500
Aortech International*	232,713	642,247
Aspinalls Online	1,333,334	200,000
Atlantic Global	1,445,000	361,791
Autonomy Corp *	75,000	385,712
Biocompatibles International*	127,000	401,485
British Photovoltaics#	8,334	250,020
Collins & Hayes	500,000	300,000
CRC Group	1,000	2,038
Deltex Medical	1,200,000	300,000
Euro Sales Finance*	100,000	401,988
Indigo Vision*	250,000	189,188
Jacques Vert	1,500,000	150,000
Medical House	641,025	333,333
Medisys*	200,000	104,938
Neutec Pharma	150,000	225,000
New Star Asset Management#	666	97,902
Overnet Data	191,667	143,750
Premier Farnell*	10,000	147,276
Pursuit Dynamics	200,000	100,000
Rank Group*	140,000	151,203
Royalblue Group*	8,600	92,941
Tepnel Life Sciences	2,006,162	398,717
Torotrak*	235,000	403,495
Triple Arc	830,000	249,000
Turbo Genset*	295,000	448,465
		6,675,989

* Listed on the London Stock Exchange
\# Unlisted

Disposal of investments

for the year to 31 March 2002

	Number of shares	Sale proceeds £	Realised profit/(loss) £
Disposals			
Access Plus	385,400	1,137,621	566,597
Alexon Group*	165,822	178,192	72,883
Aspinalls Online	22,000	315	(2,985)
Bank of Scotland 9.25%*	650,000	895,206	79,576
Bank of Scotland 9.75%*	630,000	914,160	89,036
Biocompatibles International*	127,000	218,198	(183,287)
Bristol & West 13.375%*	150,000	254,327	(40,423)
Coffee Republic *	65,000	7,644	(2,662)
Connaught	345,000	1,030,028	598,513
Co-Operative Bank 9.25%*	460,000	597,402	65,178
Crown Sports*	993,710	237,298	92,903
Deltex Medical	167,500	33,332	(8,543)
Ecclesiastical*	500,000	604,395	(16,194)
Euro Sales Finance*	100,000	440,000	38,012
Fieldens	11,000	3,152	(3,463)
Getmapping.com	100,000	18,187	(181,813)
Giardino Group	240,000	126,564	(173,436)
Halifax 9.375%*	150,000	183,450	(21,675)
ID Data	317,460	32,698	(167,301)
Indigo Vision*	250,000	374,545	185,358
Knowledge Management Software*	240,400	27,430	(123,847)
LeggMason Investors Finance Loan Stock*	120,361	119,095	–
Optoplast	138,436	30,456	(146,742)
Pennant International	70,235	10,612	(121,078)
Premier Direct	2,500	1,868	(2,635)
Raft International	120,000	10,219	(66,581)
RMR	25,000	1,370	(28,631)
Topnotch Health Clubs	100,000	74,207	(95,793)
Torotrak*	23,500	41,897	1,547
Xpertise Group	2,801,000	14,297	(736,386)
		7,618,165	(333,872)
Net brought forward unrealised profits realised in period		–	(739,242)
Realised loss for the period		7,618,165	(1,073,114)

* Listed on the London Stock Exchange

Statement of revenue and capital returns

	Year ended 31 March 2002			Year ended 31 March 2001		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£	**£**	**£**	£	£	£
Losses on investments	–	**(6,674,212)**	**(6,674,212)**	–	(11,792,147)	(11,792,147)
Income	**299,224**	–	**299,224**	599,715	–	599,715
Investment management fees	**(65,203)**	**(195,610)**	**(260,813)**	(100,067)	(300,198)	(400,265)
Movement in provision for incentive fee	–	**318,984**	**318,984**	–	(506,957)	(506,957)
Other expenses	**(143,587)**	–	**(143,587)**	(167,466)	–	(167,466)
Return on ordinary activities before finance costs and tax	**90,434**	**(6,550,838)**	**(6,460,404)**	332,182	(12,599,302)	(12,267,120)
Interest payable and similar charges	**(14)**	–	**(14)**	(667)	–	(667)
Return on ordinary activities before tax	**90,420**	**(6,550,838)**	**(6,460,418)**	331,515	(12,599,302)	(12,267,787)
Tax on ordinary activities	–	–	–	(13,983)	–	(13,983)
Return attributable to equity shareholders	**90,420**	**(6,550,838)**	**(6,460,418)**	317,532	(12,599,302)	(12,281,770)
Dividends in respect of equity shares	**(58,480)**	–	**(58,480)**	(292,402)	–	(292,402)
Capital dividend	–	–	–	–	*(1,503,783)*	*(1,503,783)*
Transfer to/(from) reserves	**31,940**	**(6,550,838)**	**(6,518,898)**	25,130	(14,103,085)	(14,077,955)
Return/(loss) per ordinary share	**0.54p**	**(39.21)p**	**(38.67)p**	1.90p	(75.27)p	(73.37)p

In order to enable the Company to make capital distributions, the Company has relinquished its investment company status and is accordingly unable to take advantage of the accounting exemptions that status permits. The results of the Company set out on page 25 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 bases of presentation of the Statement and the profit and loss account on page 25 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	(6,460,418)	
Loss on ordinary activities after taxation		(859,320)
Unrealised losses for the year		(5,601,098)
Total	**(6,460,418)**	**(6,460,418)**
Revenue return after dividends	31,940	
Retained loss		(917,800)
Transferred from capital reserve (see note 16)		949,740
Total	**31,940**	**31,940**
Capital return after dividends	(6,550,838)	
Transferred from capital reserve (see note 16)		(949,740)
Unrealised losses for the year		(5,601,098)
Total	**(6,550,838)**	**(6,550,838)**

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 £90,420 (2001: £317,532) divided by 16,708,698 (2001: 16,739,931) 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 £6,550,838 (2001: £12,599,302) divided by 16,708,698 (2001: 16,739,931) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Directors' report

The Directors present their report together with the financial statements and report of the Independent Auditors for the year ended 31 March 2002.

Principal activity, business review and future developments
The Company carries on its activities with a view to ensuring its status as a Venture Capital Trust. The Company 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 Company will continue with this activity for the foreseeable future so as to continue to meet the requirements of Section 842AA.

The Company has relinquished its status as an Investment Company under Section 266 of the Companies Act 1985 to allow it to pay capital dividends to shareholders. This was required as the distribution of capital profits is prohibited by Section 266. As explained in note 1(a) this has resulted in the Company 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 25. In order to enable investors to compare the results of the Company against those of other venture capital trusts and also with Investment Trusts and in addition to show the basis of taxation treatments of returns, a statement of revenue and capital returns is set out on page 17. The business and results of the year are reviewed in the Chairman's statement on pages 4 to 5 and in the Investment Adviser's report on pages 6 to 8.

Fixed assets
Movements in investments during the year are set out in note 10 to the financial statements on pages 33 and 34.

Results and dividends
Loss after taxation for the year amounted to £859,320 (2001: profit £121,031).

Dividends in respect of the year ended 31 March 2002 are:

	Payment date	Amount (net pence per share)
Interim dividend declared	28 June 2002	0.35p

Change of name
At an Extraordinary General Meeting of the Company held on 16 January 2002, a resolution to change the name of the Company from AIM Distribution Trust PLC to Legg Mason Investors AIM Distribution Trust plc was passed by shareholders. The change of name took effect on 23 January 2002.

Directors and their interests
The Directors of the Company who held office throughout the year are as shown on page 2.

Under the Articles of Association, at the Annual General Meeting Mr Goldsmith shall retire by rotation and, being eligible, offer himself for re-election.

Sir Aubrey Brocklebank is a director of Transcomm and Top Ten Holdings (companies in which the Company invests) and LeggMason Investors AIM VCT plc.

Mr Powell is chairman and significant shareholder of Pennant International Group in which the Company had an investment. This was sold during the year.

Directors' report (continued)

All of the Directors have a contract of service with the Company, which is terminable on three months' rolling notice, subject to retirement by rotation and earlier cessation for any reason under the Articles of Association. There have been no other contracts or arrangements between the Company 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 2002 ordinary 25p shares	As at 31 March 2001 or date of appointment or resignation ordinary 25p shares
Sir Aubrey Brocklebank	**15,001**	15,001
S A Goldsmith	**20,000**	10,000
R D Jeynes	–	–
C C Powell	–	–
R F C Zamboni (resigned 8 November 2000)	–	18,182

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 Company.

Management agreements

The Company's investments are managed by 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. With effect from 1 February 2001 as the result of a change in ownership of the Manager, LeggMason Investors Asset Managers plc became the Investment Adviser to the Trust. Fees payable under this agreement are set out in note 3 to the financial statements on pages 30 and 31.

Under an agreement dated 28 February 1999, the provision of company secretarial services and the general administration of the Company, which is the responsibility of the Manager, was delegated with the Board's consent to Sinclair Henderson Limited. This service is paid for by the Manager out of the management fee. Notice of termination of the agreement has been given and, with effect from 22 May 2002, the service has been delegated with the Board's consent to Cogent Secretarial Services Limited.

Corporate governance

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

The Board of Directors acknowledges and endorses 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 2002, subject to the exceptions explained below and the Company's 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 2002 have been in place throughout the year and from the year end to the date of this report.

Directors' report (continued)

Board of Directors

The Board consists entirely of non-executive Directors, whose biographies appear on page 2. All the Directors were fully independent of the Manager. The Board is responsible for all matters of direction and control of the Company, 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 Company.

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

Committees

The Company 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 Company's Independent Auditors, 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, 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 Company.

Going concern

In accordance with the Company's Articles of Association, the Directors are required to propose a resolution that the Company continue as an investment trust at the forthcoming Annual General Meeting of the Company and in every fifth year thereafter.

The Board remains optimistic of the opportunities and believes that equities are currently attractively priced. Your Directors therefore have no hesitation in recommending that Shareholders vote for the Company to continue in its present form.

After making enquiries, the Directors consider that the Company has adequate resources, an appropriate financial structure and suitable arrangements in place for its management to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the preparation of the accounts.

Internal control

The Board is responsible for establishing and maintaining the Company's systems of internal control and for maintaining and reviewing their effectiveness. Internal control systems are designed to meet the particular needs of the Company 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 systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. The Directors have reviewed the effectiveness of the system of internal controls, including financial, operational and compliance controls and risk management. The key procedures which have been established with a view to providing effective internal control are as follows:

- throughout the year under review, there has been an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process accords with guidance in the document "Internal Control: Guidance for Directors on the Combined Code" and will remain in place throughout the Company's life. This process is reviewed on a regular basis by the whole Board in accordance with the Turnbull guidance. The process involves reports from the Company Secretary on risk control and compliance, in conjunction with the Manager's regular report which covers investment performance and compliance issues. In addition, the Audit Committee receives internal controls statements from all the third parties to which it delegates functions as listed below.

- investment management is performed by 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, and from 22 May 2002 will be performed by Cogent Secretarial Services 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 Company 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.

Creditor payment policy

It is the Company'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 Company 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 2002, there were no trade creditors (2001: no trade creditors).

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 Company.

Substantial shareholders

The Company 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.

Independent Auditors

PricewaterhouseCoopers have expressed their willingness to continue in office as Independent 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 41 to 42.

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

1. allow the Company to continue as a VCT for a further five year period as required by the Articles of Association (resolution 4);
2. authorise the Directors to allot relevant securities of the Company (resolution 5);
3. 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 Company (resolution 6); and
4. authorise the Company generally to make market purchases of its own ordinary shares during the forthcoming year up to a maximum of 1,670,869 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 Company. This renews the authority which expires at this year's Annual General Meeting (resolution 7).

C. Marshall

By order of the Board
pp **Sinclair Henderson Limited**
Secretary
22 May 2002

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 results 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 have confirmed that they have complied with the above requirements in preparing the financial statements.

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 1985. 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.

Profit and loss account

	Notes	Year ended 31 March 2002		Year ended 31 March 2001	
		£	£	£	£
Revenue received on investments	2		**299,224**		599,715
Administrative expenses					
Investment management fees	3	**(260,813)**		(400,265)	
Movement in provision for incentive fee	3, 14	**318,984**		(506,957)	
Other expenses	4	**(143,587)**		(167,466)	
			(85,416)		(1,074,688)
Net revenue/(loss)			**213,808**		(474,973)
Income from fixed asset investments					
(Losses)/gains on investments	10(c)		**(1,073,114)**		610,654
(Loss)/profit before interest and tax			**(859,306)**		135,681
Interest payable and similar charges	6		**(14)**		(667)
(Loss)/profit on ordinary activities before tax			**(859,320)**		135,014
Tax on ordinary activities	7		–		(13,983)
(Loss)/profit on ordinary activities *after taxation*			***(859,320)***		*121,031*
Dividends					
Revenue	8	**(58,480)**		(292,402)	
Capital	8	–		(1,503,783)	
			(58,480)		(1,796,185)
Retained loss			**(917,800)**		(1,675,154)
Transfer from capital reserve	16		**949,740**		1,700,284
Retained revenue profits			**31,940**		25,130
Earnings per share	9		**(5.14)p**		0.72p

All returns are derived from continuing activities.

The notes on pages 29 to 39 form part of these financial statements.

Statement of total recognised gains and losses

	Notes	Year ended 31 March 2002	Year ended 31 March 2001
		£	£
(Loss)/profit for the year		**(859,320)**	121,031
Unrealised losses for the year	16	**(5,601,098)**	(12,402,801)
Total recognised losses during the year		**(6,460,418)**	(12,281,770)
Total recognised loss per share*		**(38.67)p**	(73.37)p

* Calculated on 16,708,698 (2001: 16,739,931) shares, being the weighted average number of Ordinary shares in issue during the year.

Note of historical profits and losses

	Year ended 31 March 2002	Year ended 31 March 2001
	£	£
Reported (loss)/profit on ordinary activities before taxation	**(859,320)**	135,014
Realisation of investment revaluation gains recognised in previous periods	**739,242**	1,778,288
	(120,078)	1,913,302
Historical cost (loss)/profit for the year retained after taxation and dividends	**(178,558)**	103,134

The notes on pages 29 to 39 form part of these financial statements.

Balance sheet

	Notes	31 March 2002 £	31 March 2001 £
Fixed assets			
Investments	10	**12,638,260**	20,246,939
Current assets			
Debtors	12	**94,879**	332,608
Cash at bank and in hand	21	**490,291**	1,905,710
		585,170	2,238,318
Creditors: Amounts falling due within one year	13	**(153,976)**	(2,577,921)
Net current assets/(liabilities)		**431,194**	(339,603)
Total assets less current liabilities		**13,069,454**	19,907,336
Provisions for liabilities and charges	14	–	(318,984)
Net assets		**13,069,454**	19,588,352
Capital and reserves			
Called up share capital	15	**4,177,174**	4,177,174
Special reserve	16	**12,328,362**	12,328,362
Capital reserve – realised	16	**2,573,714**	2,784,212
Capital reserve – unrealised	16	**(6,148,221)**	192,119
Capital redemption reserve	16	**23,750**	23,750
Revenue reserve	16	**114,675**	82,735
Equity shareholders' funds	17	**13,069,454**	19,588,352
Net asset value per share			
Ordinary shares	18	**78.22p**	117.23p

The financial statements on pages 25 to 39 were approved by the Board of Directors on 22 May 2002 and signed on their behalf by:

Sir Aubrey Brocklebank
Chairman

The notes on pages 29 to 39 form part of these financial statements.

Cash flow statement

	Notes	**Year ended 31 March 2002 £**	Year ended 31 March 2001 £
Operating activities			
Investment income received		**218,540**	583,450
Deposit interest received		**78,077**	93,008
Underwriting commission received		**193**	–
Investment management fees paid		**(473,095)**	(1,447,947)
Other expenses paid		**(149,091)**	(157,341)
Net cash outflow	20	**(325,376)**	(928,830)
Servicing of finance			
Interest paid		**(14)**	(669)
Taxation			
Income tax recovered		**237,414**	–
Capital expenditure and financial investment			
Purchase of investments		**(7,274,739)**	(4,622,442)
Disposal of investments		**7,618,166**	7,235,762
Net cash inflow		**343,427**	2,613,320
Dividends			
Equity dividends paid		**(1,670,870)**	(3,754,594)
Net cash outflow before financing		**(1,415,419)**	(2,070,773)
Financing			
Cost of share repurchase		–	(121,516)
Net cash outflow from financing		–	(121,516)
Decrease in cash	21	**(1,415,419)**	(2,192,289)

The notes on pages 29 to 39 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 Company to make capital distributions, the Company has relinquished its investment company status and is accordingly unable to take advantage of the accounting exemptions that status permits. The results of the Company set out on page 25 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) Going concern

As referred to in the Chairman's Statement on page 5 and the Directors' Report on page 23, a resolution regarding the continuation of the Company will be put to Shareholders at the Annual General Meeting on 21 August 2002. The Directors are recommending that Shareholders vote in favour of the resolution that the Company should continue in its current form. However, it is possible that Shareholders will vote against this resolution and that the Directors will be required to draw up proposals for consideration by Shareholders for the voluntary liquidation, unitisation or other reorganisation of the Company.

In light of their recommendation to Shareholders, the Directors believe that it is appropriate for the accounts to be prepared on a going concern basis. Accordingly, the accounts do not include any adjustments which might arise from the liquidation and re-organisation of the Company. Such adjustments could result in a material reduction in the reported net asset value per share attributable to ordinary Shareholders.

c) Investments

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

Listed investments, together with 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 Company 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.

d) 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.

Notes to the financial statements (continued)

1. Accounting policies (continued)

e) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the disposal of an investment are included within the cost of the investment.
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

f) Taxation

The tax charge for taxation is based on the revenue before taxation for the year. Deferred taxation is recognised in respect of all timing differences that have been originated but not reversed at the balance sheet date.

2. Income

	Year ended 31 March 2002 £	Year ended 31 March 2001 £
Income from investments		
Dividends	**115,976**	330,513
Interest	**128,603**	206,641
	244,579	537,154
Other income		
Deposit interest	**54,452**	62,561
Underwriting commission	**193**	–
Total income	**299,224**	599,715

3. Investment management fees

	Year ended 31 March 2002			Year ended 31 March 2001		
	Revenue* £	**Capital* £**	**Total £**	Revenue* £	Capital* £	Total £
Annual management fee (a)	**7,230**	**21,692**	**28,922**	7,071	21,212	28,283
Management fee (b)	**57,973**	**173,918**	**231,891**	92,996	278,986	371,982
Movement in capital dividend incentive fee (c)	**–**	**(318,984)**	**(318,984)**	–	506,957	506,957
	65,203	**(123,374)**	**(58,171)**	100,067	807,155	907,222

* 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 AIM VCT Managers Limited (the 'Manager') of which the Company owns two '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 Company by virtue of the fact that the Company 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 2001 and 31 March 2002 the capital and reserves and profit for the year of the Manager were £100 and nil respectively.

Notes to the financial statements (continued)

3. **Investment management fees** (continued)

The Manager was appointed for a term of at least five years from 26 February 1996. The agreement can now be terminated by either the Company 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) 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.

c) The incentive fee, calculated in respect of each year ending on 31 March, is equal to 25% of the aggregate amount of any cash distributions (before deduction of the incentive fee) which are in excess of a cumulative annual hurdle rate of 4.5p per share, paid to shareholders for the period concerned. If the hurdle rate 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.

4. **Other expenses**

	Year ended 31 March 2002 £	Year ended 31 March 2001 £
Auditors' remuneration (including irrecoverable VAT) for:		
– audit	**12,925**	14,125
– other services provided to the Company	**8,987**	6,466
Directors' emoluments (note 5)	**58,787**	66,595
Registrar fees	**5,691**	7,014
Other expenses	**57,197**	73,266
	143,587	167,466

5. **Directors' emoluments**

	Fees for services £	Irrecoverable VAT £	Employers' NI £	**Year ended 31 March 2002 Total £**	Year ended 31 March 2001 Total £
Sir Aubrey Brocklebank	15,000	2,625	–	**17,625**	24,308
S A Goldsmith	12,000	–	962	**12,962**	12,930
R Jeynes	12,000	2,100	–	**14,100**	5,601
C C Powell	12,000	2,100	–	**14,100**	14,100
R F C Zamboni (resigned)	–	–	–	**–**	9,656
	51,000	6,825	962	**58,787**	66,595

The remuneration of the highest paid Director was £15,000.
No other emoluments or pension contributions were paid by the Company to or on behalf of any Director.
The Directors' fees excluding employees national insurance of £57,825 comprised £17,625 paid to Aubrey Brocklebank and Associates for the services of the Chairman, £12,000 paid personally to Mr S A Goldsmith, £14,100 paid to Interregnum plc for the services of Mr R Jeynes and £14,100 paid to Christopher Powell for the services of Mr C C Powell.

Notes to the financial statements (continued)

6. Interest payable and similar charges

	Year ended 31 March 2002			Year ended 31 March 2001		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£	**£**	**£**	£	£	£
Interest on bank overdraft	**14**	**–**	**14**	667	–	667

7. Taxation

	Year ended 31 March 2002			Year ended 31 March 2001		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
a) **Tax charge**	**£**	**£**	**£**	£	£	£
Irrecoverable withholding tax	**–**	**–**	**–**	13,983	–	13,983

b) **Factors affecting tax charge on ordinary activities for the period**

Approved venture capital trusts are exempt from tax on gains made within the fund.

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	Year ended 31 March 2002	Year ended 31 March 2001
	£	£
(Loss)/profit before tax	**(859,320)**	135,014
Return on ordinary activities multiplied by the rate of corporation tax of 30%	**(257,796)**	40,504
Effects of:		
Investment (gains)/losses	**321,934**	(183,196)
Non taxable UK dividends	**(34,793)**	(99,154)
Non taxable interest	**(5,022)**	–
Excess expenses not utilised carried forward	**–**	241,846
Brought forward excess expenses utilised	**(24,323)**	–
Overseas tax not recoverable	**–**	13,983
Current tax charge	**–**	13,983

c) **Provision for deferred taxation**

No provision for deferred tax has been made in the current or prior accounting year.

d) **Factors that may affect future tax charges**

The Company has not recognised a deferred tax asset of £381,520 (2001: £596,596), arising as a result of having unutilised management expenses. These expenses will only be utilised if the tax treatment of capital gains or the investment profile changes.

Notes to the financial statements (continued)

8. Dividends

	Year ended 31 March 2002 £	Year ended 31 March 2001 £
Revenue dividends on equity shares		
Interim paid of nil p per share (2001: 0.75p)	–	125,315
Second Interim declared of 0.35p per share (2001: 1.0p)	**58,480**	167,087
Capital dividends on equity shares		
Interim dividend paid of nil p per share (2001: 9.0p)	–	1,503,783
	58,480	1,796,185

9. Earnings per share

Basic earnings per ordinary share is based on the retained loss on ordinary activities after taxation of £859,320 (2001: retained profit £121,031) divided by 16,708,698 (2001: 16,739,931) being the weighted average number of ordinary shares in issue during the year.

10. Investments

(a)	31 March 2002 £	31 March 2001 £
Investments listed on the London Stock Exchange (note 10(b))	**3,350,762**	7,398,238
Investments of companies traded on AIM (note 10(b))	**8,064,649**	11,503,954
Investments of companies traded on OFEX (note 10(b))	**972,829**	1,246,337
Other unlisted investments (note 10(b))	**250,020**	98,410
	12,638,260	20,246,939

(b)	Investments listed on the London Stock Exchange £	Investments in companies traded on AIM £	Investments in companies traded on OFEX £	Other unlisted investments £	Total £
Valuation at 31 March 2001	7,398,238	11,503,954	1,246,337	98,410	20,246,939
Unrealised (appreciation)/depreciation	(286,981)	(1,391,973)	904,664	582,171	(192,119)
Cost at 31 March 2001	7,111,257	10,111,981	2,151,001	680,581	20,054,820
Purchases	3,368,938	2,959,129	–	347,922	6,675,989
Amortisation	7,709	–	–	–	7,709
Sale proceeds	(5,093,238)	(2,524,927)	–	–	(7,618,165)
Realised gains/(losses) on sales	236,405	(570,277)	–	–	(333,872)
Reclassification of investment	-	(557,319)	(500,001)	1,057,320	-
Cost at 31 March 2002	5,631,071	9,418,587	1,651,000	2,085,823	18,786,481
Unrealised depreciation	(2,280,309)	(1,135,441)	(996,568)	(1,735,903)	(6,148,221)
Valuation at 31 March 2002	**3,350,762**	**8,283,146**	**654,432**	**349,920**	**12,638,260**

Notes to the financial statements (continued)

10. Investments (continued)

(b)

	Investments listed on the London Stock Exchange £	Investments in companies traded on AIM £	Investments in companies traded on OFEX £	Other unlisted investments £	Total £
Equities	1,783,358	7,692,393	654,432	124,920	10,255,103
Convertible stock	289,625	590,753	–	225,000	1,105,378
Bonds	1,031,263	–	–	–	1,031,263
Medium term loan notes	246,516	–	–	–	246,516
	3,350,762	**8,283,146**	**654,432**	**349,920**	**12,638,260**

(c)

	Year ended 31 March 2002 £	Year ended 31 March 2001 £
Realised (losses)/gains	**(333,872)**	2,388,942
Brought forward net unrealised gains realised in the year	**(739,242)**	(1,778,288)
Realised (losses)/gains for the year	**(1,073,114)**	610,654
Unrealised losses for the year	**(5,601,098)**	(12,402,801)
Total losses	**(6,674,212)**	(11,792,147)

A full list of the portfolio holdings by their aggregate market values is on pages 10 to 13.

11. Significant shareholdings

Details of all material investments are set out in the portfolio of investments on page 10 to 13.

12. Debtors: amounts receivable within one year

	31 March 2002 £	31 March 2001 £
Taxation	**28,153**	255,423
Prepayments and accrued income	**66,726**	77,185
	94,879	332,608

Notes to the financial statements (continued)

13. Creditors: amounts falling due within one year

	31 March 2002 £	31 March 2001 £
Declared or proposed dividends		
– revenue	**58,799**	167,406
– capital	**–**	1,503,783
Accrued expenses	**95,177**	307,982
Purchases for future settlement	**–**	598,750
	153,976	2,577,921

14. Provisions for liabilities and charges

	31 March 2002 £	31 March 2001 £
Provision for incentive fee	**–**	318,984

The provision for management incentive fees is in relation to future distributions and is based on net gains achieved to date, both realised and unrealised. The incentive fee provision is adjusted to reflect the fee that would be payable at any one point in time were the net gains of the Company to be distributed.

15. Share capital

	Authorised £	Number of shares	Issued and fully paid £	Number of shares
Ordinary shares of 25p each				
At 31 March 2001	6,000,000	24,000,000	4,177,174	16,708,698
Shares repurchased during the year				
– nil	–	–	–	–
At 31 March 2002	**6,000,000**	**24,000,000**	**4,177,174**	**16,708,698**

16. Reserves

	Special £	Capital realised £	†Capital unrealised £	Capital redemption £	Revenue £
At 1 April 2001	12,328,362	2,784,212	192,119	23,750	82,735
Brought forward gains realised in year	–	739,242	(739,242)	–	–
Unrealised losses for the year	–	–	(5,601,098)	–	–
Retained (loss)/profit for the year	–	(949,740)	–	–	31,940
At 31 March 2002	**12,328,362**	**2,573,714**	**(6,148,221)**	**23,750**	**114,675**

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

Notes to the financial statements (continued)

16. Reserves (continued)

	£
The retained capital loss for the period comprises:	
Realised losses arising in the year	(1,073,114)
Capital expenses	123,374
	(949,740)

17. Reconciliation of movements in shareholders' funds

	Year ended 31 March 2002 £	Year ended 31 March 2001 £
Opening shareholders' funds	**19,588,352**	33,756,562
Total recognised gains and losses arising during the year	**(6,460,418)**	(12,281,770)
Dividends	**(58,480)**	(1,796,185)
Movement in share capital		
– share repurchase and repurchase expenses	**–**	(90,255)
Closing shareholders' funds	**13,069,454**	19,588,352

18. Net asset value per share

The net asset value per share at 31 March 2002 has been calculated by reference to net assets of £13,069,454 (2001: £19,588,352) and 16,708,698 (2001:16,708,698) ordinary shares.

19. Contingent liabilities and commitments

There were no contingencies or financial commitments at 31 March 2002 (2001: £nil).

20. Cashflow from operating activities

	Year ended 31 March 2002 £	Year ended 31 March 2001 £
Net revenue before taxation	**213,808**	(474,973)
Tax deductible at source from investment income	**(10,145)**	(35,505)
Amortisation charge	**(7,709)**	(37,094)
Decrease in accrued income	**15,439**	150,421
Decrease in accrued expenses	**(531,789)**	(537,749)
(Increase)/decrease in other debtors	**(4,980)**	6,070
Net cash outflow	**(325,376)**	(928,830)

Notes to the financial statements (continued)

21. Reconciliation of net cash flow to net funds

	Year ended 31 March 2002 £	Year ended 31 March 2001 £
Net cash outflow	**(1,415,419)**	(2,192,289)
Change in net funds	**(1,415,419)**	(2,192,289)
Opening net funds	**1,905,710**	4,097,999
Closing net funds	**490,291**	1,905,710

22. *Post balance sheet events*

There were no significant post balance sheet events.

23. Analysis of financial assets and liabilities

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

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

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

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

The year end numerical disclosures reflect the objectives, policies and strategies of the Company and are representative of the position throughout the year. 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 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 investments the Company 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 Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The ability of the Company 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 Company to continue to have an appropriate spread of market risk and that an appropriate risk reward profile is maintained.

It is not the Company'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.

23. Analysis of financial assets and liabilities (continued)

(ii) Interest rate risk

The Company does not have any interest bearing liabilities. The Company holds fixed rate assets, the price of which may be affected 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 Company 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.

(iii) Liquidity risk

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

Although the Company 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 to the Company of holding such items, is given below:

Financial assets

The Company 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 9 to 14. All of the Company's assets are in sterling and accordingly the Trust has no direct currency exposure.

The interest rate profile of the Company's financial assets at 31 March 2002 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	10,255,103	10,255,103	–	–	–	–
Preference shares	514,625	514,625	–	–	–	–
Bonds	1,337,844	139,260	–	1,198,584	5.34	1.06
Other bonds (with no fixed maturity date)	530,688	–	–	530,688	11.75	–
Cash	490,291	–	490,291	–	–	–
Debtors	94,879	94,879	–	–	–	–
	13,223,430	**11,003,867**	**490,291**	**1,729,272**		

A detailed breakdown of securities is shown on pages 9 to 14.

23. Analysis of financial assets and liabilities (continued)

The interest rate profile of the Company's financial assets at 31 March 2001 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	14,798,556	14,798,556	–	–	–	–
Preference shares	3,021,963	3,021,963	–	–	–	–
Bonds	1,667,587	192,528	–	1,475,059	5.34	3.93
Other bonds (with no fixed maturity date)	758,833	–	–	758,833	12.24	N/A
Cash	1,905,710	–	1,905,710	–	–	–
Debtors	332,608	332,608	–	–	–	–
	22,485,257	18,345,655	1,905,710	2,233,892		

The cash at bank interest rate for both periods 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 Company finances its operations through its issued capital and existing reserves. The only financial liabilities of the Company 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, (2001: same).

Fair values of financial assets and financial liabilities

All of the financial assets of the Company are held at fair value, (2001: same).

24. Related party transactions

The interests of the Directors are set out on pages 19 and 20.

Report of the Independent Auditors to the Members of Legg Mason Investors AIM Distribution Trust plc

We have audited the financial statements which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and notes 1 to 24 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the Statement of Accounting Polices on pages 29 and 30.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and Accounts in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities on page 24.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practice Board and 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 Companies Act 1985. 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.

The other information comprises only the Director's Report, the Chairman's Statement, the Investment Adviser's Report and the Corporate Governance Statement.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 2002 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
22 May 2002

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Legg Mason Investors AIM Distribution Trust plc will be held at 32 Harbour Exchange Square, London E14 9GE at 10.00 am on 21 August 2002 for the following purposes:

Ordinary business

1. To receive and, if thought fit, to accept the financial statements and the reports of the Directors and Independent Auditors for the year ended 31 March 2002.
2. To reappoint PricewaterhouseCoopers as Independent Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
3. To re-elect as a Director Mr Stuart Goldsmith, who retires by rotation and, being eligible, offers himself for re-election.

Special business

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

   That the Company continue as a VCT for a further five year period as required by the Articles of Association.

5. 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 Company to allot relevant securities (within the meaning of Section 80 (2) of the Act) of the Company up to an aggregate nominal amount of 5,569,566 ordinary shares of 25p each, having an aggregate nominal value of £1,392,391.50, such authority to expire (unless previously renewed, varied or revoked by the Company in General Meeting) on 20 November 2003 or, if earlier, at the conclusion of the next Annual General Meeting of the Company following the passing of this Resolution, save that the Company 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 6 and 7 as Special Resolutions:

6. THAT, subject to the passing of Resolution 5 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 Company for cash pursuant to the authority conferred by Resolution 5 as if Section 89(1) of the Act did not apply to such allotment provided that this power:

   (a) shall expire on 20 November 2003 or, if earlier, at the conclusion of the next Annual General Meeting of the Company following the passing of this Resolution, save that the Company 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 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 £417,717.

7. THAT the Company 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 Company provided that:

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 1,670,869 shares representing 10% of the Company'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 that 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 Company or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Company may before such expiry enter into a contract to purchase ordinary shares which will or may be completed wholly or partly after such expiry.

C. Menhard

By order of the Board
PP **Sinclair Henderson Limited**
Secretary
22 May 2002

Registered Office
23 Cathedral Yard, Exeter EX1 1HB

Notes

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2000, specifies that only those shareholders registered in the register of members of the Company as at 6.00 pm on 19 August 2002 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6.00 pm on 19 August 2002 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

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 Company. To be effective, forms of proxy must be lodged with the Company's Registrars, Capita 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 Company 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 Company;

b) The Memorandum and Articles of Association.

Legg Mason Investors AIM Distribution Trust plc
Form of proxy for Annual General Meeting
to be held on 21 August 2002

I/We. . . . . (BLOCK CAPITALS please) being a holder/s of ordinary shares in Legg Mason Investors 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 Company to be held at 32 Harbour Exchange Square, London E14 9GE at 10.00 am on 21 August 2002 and at any adjournment thereof in respect of the resolutions set out in the Notice of Meeting.

	For	Against
Resolution Number 1 – To receive and, if thought fit, accept the Report and Accounts		
Resolution Number 2 – To reappoint PricewaterhouseCoopers as Independent Auditors		
Resolution Number 3 – To re-elect Mr Stuart Goldsmith as a Director		
Resolution Number 4 – To continue as a VCT for a further five years		
Resolution Number 5 – To authorise the allotment of relevant securities up to the value of £1,392,391.50		
Resolution Number 6 – To disapply the pre-emption provisions		
Resolution Number 7 – To authorise the repurchase of up to 10% of the issued shares		

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 Company.

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 Company's Registrars, Capita 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
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1st_prox.cmx

First
fold

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

Second fold