

Strategic Report

The Strategic Report has been prepared in accordance with Section 414A of the Companies Act 2006 (the "Act"). Its purpose is to inform members of the Company and help them to assess how the Directors have performed their legal duty under Section 172 of the Act to promote the success of the Company.

CHAIRMAN'S STATEMENT

Dear Shareholder,

On 10 June 2014, the Company announced that, due to ill health, Ernest Fenton had stepped down as Chairman of your Company and would not be seeking re-election at the forthcoming Annual General Meeting. Since that date, I have assumed the role of Chairman. Ernest has been a Director of the Company since its launch in 1996 and was appointed Chairman in 2004. He has made a great contribution to the successful running of the Company and has worked tirelessly on behalf of shareholders over the years. I would like to thank him on behalf of the Board for his valuable input and advice. We are going to miss his presence on the Board and wish him a full and speedy recovery.

Following the approval of the revised investment policy on 17 April 2013, I want to update you on progress. As you will see from the Investment Manager's Review and the Financial Statements, £12.95 million of capital was returned to the shareholders on 21 March 2014 through a tender offer reducing the number of shares in issue by 4,359,438 to 13,078,541 shares. During the year, the NAV per share fell by 7.0%, while the share price rose by 17.1%.

As expected, the remaining portfolio is concentrated in a smaller number of companies. The Board is fully aware of the implications of this position and is taking advice on the processes required to avoid jeopardising investment trust status and the favourable tax treatment that comes with it. Depending on the circumstances and the degree of portfolio concentration, it is possible that in order to preserve that status, the Company may have to recommend to shareholders that it enter voluntary liquidation at any time during the coming months, and this may need to be done at relatively short notice. As a result of this situation, and in agreement with the Auditor, the Board has decided not to prepare the Financial Statements on a going concern basis. This has no impact on the amounts recognised in the Financial Statements.

There is one significant holding in the portfolio which is not valued using market prices. AnchorFree, Inc. ("AnchorFree"), representing 41.5% of net assets, is being held at a price which reflects a transaction which took place in 2012. The Board recently obtained an independent valuation of the Company's holding in AnchorFree. Having reviewed the valuation report, the Board decided to maintain the US Dollar valuation of the holding which, as at 31 March 2014, remained unchanged since the previous fiscal year end. This valuation was towards the lower end of the valuation range given by the independent valuer. The Company is in the process of changing its business model from one based on advertising to one reliant on subscriptions. The Board sees no justification to change the valuation of this holding at this point, but any change in the future could clearly have a very significant impact, in either direction, on net assets.

During the 12 months ended 31 March 2014, Sterling rose sharply by 9.8%, negatively affecting the Sterling returns for shareholders. As the process of realisation continues, proceeds are translated into Sterling as sales are made, but the underlying Dollar exposure in the remaining holdings is unhedged. In accordance with the Company's investment policy, the realised proceeds, converted into Sterling, are held in UK treasury gilts.

The Board has taken advice on the use of buyback powers during the realisation process and concluded that share buybacks should be suspended to avoid the risk of the Company dealing while in possession of material non-public information on any of its listed holdings. Therefore, the Board is not seeking shareholders' approval to renew the Company's authority to make market purchases of shares.

The Company's portfolio holds five core positions as at the date of this report, and we expect the Investment Manager to continue to make steady progress along the road to realisation, recognising that, given the underlying illiquidity in certain key investments, and the expectation that the portfolio will be liquidated by March 2015, some time and patience will still be required in order to maximise returns to the shareholders.

Andrew Barker

Chairman

23 June 2014