

To Shareholders

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Report on the Singer & Friedlander AIM 2 VCT Plc Annual General Meeting on the 7th of September 2005

Dear Shareholder,

Firstly let me thank all those shareholders who submitted proxy voting forms for this meeting. The following is a brief summary of what happened.

Andrew Banks from Singer & Friedlander, the fund manager, gave a presentation on the recent results. This was of course quite positive, with a claim for example of outperformance above the AIM index of 32% since launch. A copy of this presentation is no doubt available from the company upon request. The announcement which had been made a few days before the meeting of a prospective merger of the three Singer & Friedlander AIM venture capital trusts was also mentioned (this of course is one of the things on which UKSA has been urging action to the boards of these companies).

A number of shareholders raised minor questions – there were only five shareholders attending but that was more than in the previous year. I then pointed out that although fund performance had improved of late, and overall was comparable if not better than other AIM VCTs, the Net Asset Value after 5 years was still only about 70p when compared with shareholders initial investment of £1. And if shareholders chose to sell, they would be lucky to get 60p. Clearly cost reduction was also therefore important. However I complimented the board for considering the merger proposals which should reduce costs substantially. Note: for that reason, I did not oppose the re-election of the directors who were re-elected on a “show of hands” vote.

I then raised the issue of audit (and other) fees paid to PriceWaterhouseCoopers (PWC). These costs were almost £20,000 for the audit last year, with total fees paid to PWC of £38,000. By comparison, Northern AIM VCT has audit fees of £9,000 (KPMG), Pennine AIM 2 has audit fees of £9,000 (Baker Tilly) and The AIM VCT has audit fees of £11,000 (KPMG). In total the fees paid by each of these other companies to their auditors were as little as one third of what Singer & Friedlander AIM 2 VCT paid.

The Chairman confirmed that some small reduction (less than 10%) had been agreed to the audit fee for next year, when PWC wished to increase it. Also one difference was that our company had a review of the interim accounts performed, which the Chairman believed was worth doing. He rejected any change of auditors on the basis that the additional cost was not really significant in the overall scheme of things.

On the show of hands vote on the resolution to reappoint the auditors there was a narrow majority in favour. However I demanded a poll on that resolution which was duly carried out, and of course used the proxy votes given to me to vote against the resolution. There were over 5 million proxy votes recorded in total (24% turnout) and 65% supported the resolution, with 35% against.

A disappointing result. However, one issue which I raised is that the biggest shareholder in the company according to the share register is Sinjul Nominees Ltd which is the nominee owned by Singer & Friedlander and used to hold the portfolios of their discretionary fund management clients. It seems that S&F have the voting rights in some cases, although this was in a separate department with a "Chinese" wall in between. In other cases, they took voting instructions from their clients. However, it does suggest to me that there is an inherent conflict of interest here because S&F may be voting on matters related to their own fund management and administration contract and their relationships with other third parties, or advising their clients on how to vote. However it is not clear whether excluding those votes would have had an impact on the result of the poll. But in any case, the large percentage against indicates the strength of shareholder feelings on this matter.

The audit fee issue is a relatively minor, if annoying, aspect of this company, and the prospective merger will be supported by UKSA to the extent that we are able, and of course subject to seeing the details of the proposals.

Note that the United Kingdom Shareholders Association represents the interests of private shareholders and the Singer & Friedlander VCT campaign is just one example of how we help to fight for shareholders rights. Please look at the benefits of membership in UKSA if you have not already done so – go to our web site at <http://www.uksa.org.uk/Membership.htm> for more information or telephone 020-8467-2686. And please bear in mind that UKSA incurs considerable costs in running these kind of campaigns so the more members we have the better we can represent your interests.

Yours sincerely

Roger Lawson
Communications Director