Notes to the Financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared as a going concern under the historical cost convention, modified to include the revaluation of fixed asset investments in accordance with UK Generally Accepted Accounting Practice. There have been no other material changes to the accounting policies previously applied by the Company. In accordance with Section 229(2) of the Companies Act 1985, the Company is exempt from preparing consolidated financial statements. As such, the Company is not required to prepare its financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Investments

At the year end Listed investments and investments traded on AIM are carried at the closing market bid value.

All AIM and listed investments have been classified as fair value investments, unquoted investments have been classified as available-for-sale investments and loans have been classified as loans and receivables at fair value.

Unquoted investments are stated at Directors' valuation in accordance with the British Venture Capital Association guidelines for the valuation of venture capital investments. In determining this valuation the Directors give consideration to the period of investment, the performance of the investment against plan, appropriately discounted comparative listed companies' price earnings ratios and any recent transactions.

Although the Company may hold more than 20% of the equity share capital of a particular company, in accordance with FRS 9 paragraph 49, it would be inappropriate to treat any such investments as associated undertakings.

At 28 February 2009 material unquoted investments were valued in accordance with the above policy as follows:

- Tissuemed Limited – Ordinary shares: Last investor purchase price in December 2008.
  Value at 28 February 2009: £421,071 (2008: £421,071)
- Primal Pictures Limited – Ordinary shares: Earnings multiplied by an appropriate comparative price earnings ratio.
  Value at 28 February 2009: £200,000 (2008: £200,000)
- Primal Pictures Limited – Preference shares: Valued at par.
  Value at 28 February 2009: £160,000 (2008: £160,000)
- Wineworld (London) plc – Ordinary shares: Earnings multiplied by an appropriate comparative price/earnings ratio.
  Value at 28 February 2009: £38,250 (2008:£79,000)
- Wineworld (London) plc – Preference shares – Valued at par.
  Value at 28 February 2009: £25,550 (2008: N/A)

Consolidation

The Company has two subsidiary companies, Rensburg VCT (unlimited Company) and Amazing View Limited. Both of these companies are dormant and the Company does not prepare consolidated accounts as both subsidiaries are immaterial.

Notes to the Financial Statements

1. Accounting policies (continued)

Income

Equity dividends are recognised as income on the ex-dividend date. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course. All other income is recognised on an accruals basis.

Expenditure

All expenditure is accounted for on an accruals basis and is charged wholly to the profit and loss account with the following exception:

- expenses incidental to the acquisition or disposal of an investment are included within the cost of the investment or deducted from the disposal proceeds as appropriate.

Unrealised movement in the value of investments

Following adoption of FRS 26, increases and decreases in the valuation of investments designated as at fair value through the profit and loss account are accounted for in the income statement. Increases and decreases in the valuation of available-for-sale investments held at the year end are taken to the available-for-sale reserve. If, in the opinion of the Directors, there is objective evidence of impairment to an available-for-sale financial asset, any permanent diminution in value is taken to the income statement.

Financial instruments

During the course of the year the Company held investments and cash balances. The Company holds financial asset investments in UK listed, AIM and unquoted companies. The fair value is not materially different from the carrying value of all financial assets and liabilities. Further information on financial instruments and the risks associated with holding such assets can be found in note 15 to these financial statements.

2. Income

	2009 **£000**	2008 £000
UK franked investment income	**636**	623
Interest receivable from fixed interest securities	**44**	116
Deposit and other interest	**29**	84
Options income	**7**	80
	716	903

3. Recoverable VAT

Following the European Court of Justice decision in the JPMorgan Claverhouse case and guidance issued by Her Majesty's Revenue & Customs, VCT management fees are now treated as exempt from VAT. Accordingly Rensburg Sheppards Investment Management Limited ceased to charge VAT on management fees payable by the Company with effect from 1 June 2008.

The Company has also been able to make a claim, through its manager for certain VAT paid in prior periods. After discussing the matter with the Company's professional advisers, the Directors consider it reasonably certain that the Company will, in the forseeable future, obtain a repayment of VAT of not less than £381,000. This amount has been recognised as a separate item in the income statement.

4. Investment management fees

	2009 £000	2008 £000
Investment management fees	**331**	575
Irrecoverable value added tax paid	**16**	106
	347	681

Throughout the year Rensburg Sheppards Investment Management Limited ('RSIM') has provided investment management and secretarial services to the Company under an agreement dated 20 December 2005.

RSIM receives annual fees of 1.8% of the audited net assets of the Company at the year end adjusted for the value of dividends paid during the year.

A further provision of the agreement obliges RSIM to rebate to the Company excess annual running costs above pre-defined levels set within the management agreement.

RSIM is entitled to a bonus payment every three years should investment performance exceed defined contractual targets over three year set periods. The first three year bonus period ended on 28 February 2009, as performance had not exceeded target no payment was made. A new three year period has now commenced which will run until 29 February 2012.

5 Other expenses

	2009 £000	2008 £000
Directors' remuneration (see pages 17 and 18)	**46**	38
The analysis of the auditor's remuneration is as follows:		
– Audit of these financial statements	**13**	13
Fees payable to the Company's auditor and its associates for other services:		
– Tax advisory services	**3**	3
Fees payable in relation to the VAT rebate	**13**	–
Other operating expenses	**76**	72
Irrecoverable value added tax	**13**	11
	164	137

6. Taxation

The Company is subject to corporation tax at 28% (2008: 30%). Applying this rate to the loss on ordinary activities before tax would give a tax rebate of £2,630,600 (2008: tax rebate of £776,000). However, UK dividends are not liable to corporation tax and a VCT is exempt from corporation tax on its capital gains and its capital loan relationship gains/losses. Accordingly, the tax deductible expenses substantially exceed the taxable income of the Company and as a result, there is no corporation tax charge.

At 28 February 2009 the Company had surplus tax deductible expenses of £3,418,922 (2008: £3,469,784) in respect of which no deferred tax asset has been recognised. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that period and accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses.

Notes to the Financial Statements

7. Returns per share

Losses per share of 22.95p (2008: losses per share of 6.96p) is based on the losses on ordinary activities after tax of £9,395,000 (2008: loss of £2,912,000) on 40,942,516 (2008: 41,860,416) ordinary shares, being the weighted average number of shares in issue during the year.

Total recognised losses per share of 22.49p (2008: losses per share of 5.00p) is based on total recognised losses for the year of £9,206,000 (2008: losses of £2,091,000) on 40,942,516 (2008: 41,860,416) ordinary shares, being the weighted average number of shares in issue during the year.

8. Investments

(a) Investment summary by value:	2009 £000	2008 £000
Fair value through the profit and loss account		
Main list, Unit Trust and Fixed interest investments	**6,400**	13,434
AIM traded investments	**8,024**	12,546
Available-for-sale assets	**1,415**	1,225
Loans and receivables	**–**	195
	15,839	27,400

(b) Movements during the year:	Fair value through profit and loss assets: Main list, Unit Trust and Fixed interest £000	Fair value through profit and loss assets: AIM £000	Available-for-sale assets £000	Loans and receivables £000	Total £000
Opening book cost	13,113	14,301	867	206	28,487
Opening unrealised appreciation	321	(1,755)	358	(11)	(1,087)
Opening valuation	13,434	12,546	1,225	195	27,400
Purchases at cost	998	2,353	1	–	3,352
Disposal proceeds	(4,504)	(617)	–	–	(5,121)
Realised (loss)/gain on disposal of fair value investments	(406)	86	–	–	(320)
Impairment of loans and receivables	–	–	–	(195)	(195)
Unrealised Fair value losses	(3,122)	(6,344)	–	–	(9,466)
Change in unrealised appreciation	–	–	189	–	189
Closing valuation	**6,400**	**8,024**	**1,415**	**–**	**15,839**
Closing book cost	9,222	15,946	869	–	26,037
Closing unrealised appreciation	(2,822)	(7,922)	546	–	(10,198)
	6,400	**8,024**	**1,415**	**–**	**15,839**

8. Investments (continued)

(c) Investment value summary by type of holding:	2009 £000	2008 £000
Qualifying* equity shares	9,264	13,581
Qualifying* non-equity shares	160	160
Qualifying* loans	–	195
Non-qualifying equity shares	3,527	6,174
Unit trusts and fixed interest securities	2,888	7,290
	15,839	27,400

* These investments are classed as qualifying VCT investments for the purposes of Section 274 of the Income Tax Act 2007.

9. Debtors

	2009 £000	2008 £000
Recoverable VAT	381	–
Prepayments and accrued income	84	95
	465	95

The Recoverable VAT debtor wholly represents the Recoverable VAT shown as a separate item on the Income statement and explained in note 3 to the accounts.

10. Creditors (amounts falling due within one year)

	2009 £000	2008 £000
Trade creditors	21	178
Accruals and deferred income	45	145
	66	323

11. Called up share capital

	2009 £000	2008 £000
Authorised:		
60,000,000 ordinary shares of 5p each (2008: 60,000,000)	3,000	3,000
Allotted, issued and fully paid up		
40,768,349 ordinary shares of 5p each (2008: 41,394,161)	2,039	2,070

Each ordinary share carries the right to one vote at a general meeting of the Company and therefore the total number of voting rights at 28 February 2009 was 40,768,349.

Notes to the Financial Statements

11. Called up share capital (continued)

Since 1 March 2008 the issued share capital has been changed as follows:

	Date	No of shares	£000	£000
As at 1 March 2008		41,394,161		2,070
Purchases:				
142,812 ordinary shares at 60.5p	March 2008	(142,812)	(7)	
60,000 ordinary shares at 58.0p	April 2008	(60,000)	(3)	
270,000 ordinary shares at 59.0p	June 2008	(270,000)	(13)	
118,000 ordinary shares at 50.0p	July 2008	(118,000)	(6)	
35,000 ordinary shares at 47.3p	August 2008	(35,000)	(2)	
				(31)
As at 28 February 2009		40,768,349		2,039

The total number of shares repurchased for cancellation during the year was 625,812 with a nominal value of £31,291. The consideration for these shares (including costs) was £357,929. Repurchases during the year represented 1.51% of the share capital in issue at 29 February 2008. Shares were re-purchased in order to provide an exit for shareholders where it was in the interests of the Company and its shareholders to do so. The present authority for the Company to purchase its own shares expires at the 2009 AGM.

12. Reserves

	Share premium £000	Capital redemption reserve £000	Available -for-sale reserve £000	Other reserve £000	Profit and loss account £000
At 29 February 2008	7,035	264	357	4,912	13,278
Purchase of own shares	–	31	–	–	(358)
Dividends paid (note 13)	–	–	–	–	(1,635)
Reserves transfer	–	–	–	(261)	261
Change in unrealised appreciation	–	–	189	–	–
Retained profit for the year	–	–	–	–	(9,395)
As at 28 February 2009	**7,035**	**295**	**546**	**4,651**	**2,151**

13. Dividends paid

	2009 £000	2008 £000
Ordinary 5p shares		
Final 2008 dividend paid – 3.00p (2007 Final dividend paid: 3.00p)	**1,227**	1,260
Interim 2009 dividend paid – 1.00p (2008 Interim dividend paid: 1.00p)	**408**	415
Special 2009 dividend paid – 0.00p (2008 Special dividend paid: 3.00p)	**–**	1,246
	1,635	2,921

14. Net asset value per share

The net asset value per share at 28 February 2009 is based on net assets of £16,717,000 (2008: £27,916,000) and on 40,768,349 (2008: 41,394,161) ordinary shares, being the number of ordinary shares in issue on that date.

15. Financial instruments and associated risks

In furtherance of the Company's objectives to secure long-term capital growth, the Company holds a number of financial instruments as follows:

- Equity shares, unit trusts, non-equity preference shares, loans, fixed interest gilts and cash; and
- Liquid resources, short-term debtors and creditors that arise directly from operations.

The main risks arising from the Company's financial instruments are interest rate, market price, liquidity and credit risks. The Directors maintain policies for managing these risks, details of which are set out below. These policies have been in operation throughout the period under review. The fair value of the financial assets and liabilities is not materially different from the carrying value.

(a) Interest rate risk
(i) Floating rate

The Company from time to time may hold part of its portfolio in cash. Any changes in interest rates will therefore affect the income of the Company. The amount held in cash and subject to floating rate risk at the year end was £479,000 (2008: £744,000) (Benchmark: Bank of England REPO rate less 0.25%).

(ii) Fixed rate	**2009 Total fixed rate portfolio £000**	**2009 Weighted average interest rate %**	**2009 Weighted average period to maturity Days**	2008 Total fixed rate portfolio £000	2008 Weighted average interest rate %	2008 Weighted average period to maturity Days
Financial assets	**590**	**5.27**	**1,002**	1,923	4.65	858

Financial assets include fixed interest securities and loans to Vianet Group plc within the 2008 comparative.

The Directors meet bi-monthly to consider the interest rate risk to ensure that the risk reward profile is acceptable.

(b) Market price risk

The Company's portfolio is exposed to market price fluctuations, which are monitored by the manager and reviewed regularly by the Directors in pursuance of the investment objectives and policies. Adherence to the investment and borrowing powers set out in the original prospectus mitigates the risk of excessive exposure to any particular type of security or issuer. Although the Company is permitted to do so, the Directors do not use derivative instruments to hedge the investment portfolio against market risks. The manager reviews the cost of such derivatives but would only recommend the purchase of such instruments to the Directors if the perceived benefits outweighed the costs to investors. To date this has proved not to be the case. However, the Directors have issued call options in respect of certain quoted equities held during the year to exploit price differentials. At the year end no such options were open.

Based on the value of both 'Fair value through profit and loss' and 'Available-for-sale assets' at 28 February 2009 a change of 5% in valuations would result in a change in both profit and net assets of £792,000 (29 February 2008: £1,360,000).

Notes to the Financial Statements

15. Financial instruments and associated risks (continued)

(c) Liquidity risk

The principal exposure of the Company is due to the equity held in AIM and other unquoted companies as a result of the possible failure of such companies. The manager reviews the liquidity risk daily with a view to ensuring that the element of investors' funds that are held in cash or more readily realisable securities is sufficient to meet potential liabilities that may arise. The manager and Directors are aware that the Company's investment portfolio could be difficult to realise and the fact that a share is traded on AIM does not guarantee its liquidity.

(d) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Investment Manager has in place a procedure to monitor counterparty risk on an ongoing basis.

The financial assets and financial liabilities are categorised as follows:

	At 28 February 2009				
Financial Assets	**Fair value through profit and loss account financial assets £000**	**Available-for-sale financial assets £000**	**Financial liabilities at amortised cost £000**	**Loans and receivables £000**	**Total book value £000**
Fair value through profit and loss account investments	14,424	–	–	–	14,424
Available-for-sale assets	–	1,415	–	–	1,415
Debtors	–	–	–	465	465
Cash at bank and in hand	–	–	–	479	479
	14,424	**1,415**	**–**	**944**	**16,783**
Financial liabilities					
Trade creditors	–	–	21	–	21
Accruals & deferred income	–	–	45	–	45
	–	**–**	**66**	**–**	**66**

	At 29 February 2008				
Financial Assets	**Fair value through profit and loss account financial assets £000**	**Available-for-sale financial assets £000**	**Financial liabilities at amortised cost £000**	**Loans and receivables £000**	**Total book value £000**
Fair value through profit and loss account investments	25,980	–	–	–	25,980
Available-for-sale assets	–	1,225	–	–	1,225
Loans & receivables	–	–	–	195	195
Debtors	–	–	–	95	95
Cash at bank and in hand	–	–	–	744	744
	25,980	**1,225**	**–**	**1,034**	**28,239**
Financial liabilities					
Trade creditors	–	–	178	–	178
Accruals & deferred income	–	–	145	–	145
	–	**–**	**323**	**–**	**323**

15. Financial instruments and associated risks (continued)

	At 28 February 2009			
	Total contractual cash flows £000	Payable within one year £000	Payable in two to five years £000	Payable in six to ten years £000
Trade creditors	21	21	–	–
Accruals & deferred income	45	45	–	–
	66	66	–	–

	At 29 February 2008			
	Total contractual cash flows £000	Payable within one year £000	Payable in two to five years £000	Payable in six to ten years £000
Trade creditors	178	178	–	–
Accruals & deferred income	145	145	–	–
	323	323	–	–

16. Non-qualifying quoted equity investments analysis – Main List Quoted Equities

The table below analyses investments classified as "Other non-qualifying investments – Main List Quoted equities" as shown in the investment portfolio summary on page 6 of the accounts.

	Book cost £000	Valuation £000	% of total net assets (by value)	Unrealised gain/(loss) £000
Ten largest non-qualifying quoted equity investments				
BP	521	383	2.29	(138)
Royal Dutch Shell	439	351	2.10	(88)
Glaxo SmithKline	365	268	1.60	(97)
Vodafone	174	156	0.93	(18)
Imperial Tobacco	148	154	0.92	6
HSBC	275	149	0.89	(126)
Diageo	128	139	0.83	11
BG Group	85	131	0.78	46
Unilever	114	123	0.74	9
British Aerospace (Ords)	120	111	0.66	(9)
	2,369	**1,965**	**11.74**	**(404)**
Other non-qualifying quoted equity investments	2,958	1,547	9.27	(1,411)
Total non-qualifying quoted equity investments	**5,327**	**3,512**	**21.01**	**(1,815)**

Notes to the Financial Statements

17. Related parties

Fees paid by this Company for investment management services provided by Rensburg Sheppards Investment Management Limited and Rensburg Fund Management Limited, which are related parties, amounted to £346,368 (2008: £680,929) in the year including VAT where applicable. The outstanding balance accruing to RSIM at the year end was £3,096 (2008: £281,779).

During the year the Company purchased for a cost of £440,012 (2008: £500,024) a second qualifying investment in the ordinary share capital of Essentially Group Limited, a company for which Richard Battersby acts as a Non-executive Director. No amounts were outstanding at 28 February 2009 (2008: Nil). As at 28 February 2009 Richard Battersby held 0.3% (2008: 0.2%) of the ordinary shares of Essentially Group Limited. Fees paid by Essentially Group Limited in respect of Richard Battersby acting as a non-executive director amounted to £25,000 for the year to 31 December 2008 (2007: £20,000).

During the year Walker Morris, a law firm for which Peter Smart acts as Chairman, provided legal services to the Company totalling £13,885 (2008: £4,065). £7,188 was outstanding at 28 February 2009 (2008: £Nil).

18. Revenue and Capital

Profit before and after tax can be analysed between revenue and capital as follows:

	2009 Revenue £000	**2009 Capital £000**	**2009 Total £000**	2008 Revenue £000	2008 Capital £000	2008 Total £000
Profit on ordinary activities before tax	**595**	**(9,990)**	**(9,395)**	543	(3,455)	(2,912)
Tax on profit on ordinary activities	**–**	**–**	**–**	–	–	–
Profit on ordinary activities after tax	**595**	**(9,990)**	**(9,395)**	543	(3,455)	(2,912)

The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objective, both of which are detailed on the front inside cover of this report.

The Company does not have any externally imposed capital requirements.