Puma VCT VII plc
Annual report and accounts 2015

HIGHLIGHTS

- Fund fully invested in a diverse range of high quality businesses and projects.
- Profit of £262,000 before tax for the year, a gain of 1.75p per share
- 20p per share of dividends paid since inception, 5p during the year, equivalent to a 7.1% per annum tax-free running yield on net investment.

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the Company's fourth Annual Report which is for the year ended 28 February 2015.

Results

The Company reported a profit for the year of £236,000 (2014: £60,000), equivalent to 1.75p (2014: 0.44p) per ordinary share (calculated on the weighted average number of shares). The Net Asset Value per ordinary share ("NAV") at the year end (adding back the 20p of dividends paid to date) was 93.66p.

Dividends

As envisaged in the Company's prospectus, the Company has for the fourth calendar year in succession paid a dividend of 5p per ordinary share, equivalent to a 7.1% tax-free running yield on shareholder's net investment.

Investments

At the end of the year, the Company had invested £9 million, representing 91% of its net asset value, in a mixture of qualifying and non-qualifying investments whilst still maintaining our VCT qualifying status. These investments are primarily in asset-backed businesses and projects generating a gross annual return of 7.5% on the basis of current deployments and investment performance. Details of the Company's portfolio of investments can be found in the Investment Manager's report below.

VCT qualifying status

PricewaterhouseCoopers LLP ("PwC") provides the board and the investment manager with advice on the ongoing compliance with HMRC rules and regulations concerning VCTs. PwC also assists the Investment Manager in establishing the status of investments as qualifying holdings.

Outlook

The lack of availability of bank credit has enabled the Company to assemble a portfolio of investments on attractive terms and we are pleased to report that the Company's net assets are fully deployed in a diverse range of high quality businesses and projects. There may be some further changes in the composition of the portfolio but the Board expects to predominantly concentrate in the future on the monitoring of our existing investments and over the next year or so realising the portfolio to enable the liquidation of the fund.

David Buchler
Chairman
30 June 2015

INVESTMENT MANAGER'S REPORT

Introduction

The Company's funds are now fully deployed in both qualifying and non-qualifying investments, having met its minimum qualifying investment percentage of 70 per cent during the previous period. We believe our portfolio is well positioned to deliver attractive returns to shareholders within its expected remaining time horizon.

Qualifying Investments

Micro Brewery

The Company's £1,250,000 investment in Brewhouse and Kitchen Limited continues to perform well. Brewhouse and Kitchen is managed by two highly experienced pub sector professionals and our funding is facilitating the acquisition of freehold pubs and the roll-out of the brand. The investment is largely in the form of senior debt, secured with a first charge over the business and each site acquired. Funds can be utilised to a maximum 65% loan-to-value ratio, and are expected to produce an attractive return to the Company. Brewhouse and Kitchen opened a further four units during the year and now operates five units across locations in London, Bristol and the South East. The portfolio is trading well.

Contracting Services

As previously reported, Huntly Trading Limited and Jephcote Trading Limited (in which the Company had invested £1,000,000 and £1,650,000 respectively) were, as members of SKPB Services LLP, engaged in a contract with Ansgate (Barnes) Limited to provide up to £8 million of project management and contracting services in connection with the construction of nine new houses and 12 new flats at a development known as Hampton Row (formerly, The Albany), in Barnes, south west London. The total cost of the project is c.£15 million and the developers have already pre-sold four of the flats at prices in line with a gross development value for the project of c.£30 million. The project is expected to complete in Q4 2015.

Supported Living

During the year, SKPB Services LLP also entered into a contract with HB Villages Tranche 2 Limited to provide project management and contracting services in connection with the construction in Bolton of 16 units as accommodation and supported housing for psychiatric and learning disabled service users, and their care-workers.

The Company's investments of £880,000 into each of two contracting companies, Frederica Trading Limited ("Frederica") and Glenmoor Trading Limited ("Glenmoor") are progressing well. Frederica and Glenmoor (as members of a limited liability partnership with other contracting companies) are currently providing contracting services in connection with supported living developments in Bury and Clacton.

Construction

As previously reported, the Company invested £1,100,000 (alongside other Puma VCTs) into Saville Services Limited, a company providing contracting services over a series of projects including the construction of a private detached housing development in the countryside outside Aberdeen, under contract to Churchill Homes Limited, a longstanding Aberdeenshire developer. The Aberdeen project is progressing well and we understand that

Saville Services' directors are actively pursuing further opportunities in similar projects in the near future.

During the year, the Company subscribed a further £550,000 in Saville Services Limited to provide further working capital for another supported living project in Wolverhampton.

Other sectors

As reported in our previous interim report, the Company realised its investment in SIP Communications plc, in which it invested £700,000. We had provided £210,000 against this investment during the period ended 28 February 2014 to reflect its trading difficulties, but we are pleased to report that the realisation was substantially closer to the original investment. Over its life the Company recovered £637,000 from this investment.

Non-Qualifying Investments

As previously reported, we have adopted a strategy for the non-qualifying portfolio of moving away from quoted investments and instead investing in secured non-qualifying loans offering a good yield with hopefully limited downside risk.

During the year, the Company, together with other entities managed and advised by your Investment Manager, provided a £7.1 million bridging facility to companies within the Connolly and Callaghan group in several tranches. The Company participated in this through a £400,000 non-qualifying loan (advanced through a subsidiary, Buckhorn Lending Limited). The Connolly and Callaghan group is a provider of emergency overnight accommodation in Bristol with over 20 years' experience in the sector. The overall facility is secured on a portfolio of over 20 freehold residential properties, was extended on a sub-50% loan-to-value basis and is earning an attractive rate of interest.

The Company's £1,330,000 non-qualifying loan (as part of a £4 million financing with other Puma VCTs) to Puma Brandenburg Finance Limited, a subsidiary of Puma Brandenburg Limited, continues to perform. The loan is secured on a portfolio of flats in the middle class area of central Berlin, Germany. Since the loan was made, the property market in this area of Berlin has been very strong, further enhancing the excellent security we have for this loan. The loan attracts a fixed interest rate at a good coupon given the security profile.

The Company had extended a £650,000 non-qualifying loan (as part of a £1.3 million financing with other Puma VCTs) to Countywide Property Holdings Limited, secured on a 5.6 acre site, including a large house, in Brackley near Silverstone. As indicated in the Company's interim report, having successfully obtained planning permission for 50 new homes on the site, Countywide Property Holdings completed the sale of the site to one of the UK's largest house builders and repaid the Company's loan in full during the year.

The Company extended a £881,000 loan to provide an innovative £4 million revolving credit facility to Ennovor Trading 1 Limited (formerly known as Organic Waste Management Trading Limited) together with other Puma VCTs. The facility provided working capital for the purchase of used cooking oil for conversion into bio-diesel. As previously reported, in order to provide the liquidity necessary for a further qualifying investment, during the year, the Company sold its position in Ennovor Trading 1 to another Puma VCT.

Investment Strategy

We are pleased now to have fully invested the Company's funds in both qualifying and non-qualifying secured investments. We remain focused on generating strong returns for the Company in both the qualifying and non-qualifying portfolios whilst balancing these returns with maintaining an appropriate risk exposure and ensuring compliance with the HMRC VCT rules. We are now primarily focusing on the monitoring of our existing investments and preparing the portfolio for realisation in due course.

Shore Capital Limited
30 June 2015

Investment Portfolio Summary
As at 28 February 2015

	Valuation £'000	Cost £'000	Gain/(loss) £'000	Valuation as % of Net Assets
As at 28 February 2015				
Qualifying Investments				
Brewhouse and Kitchen Limited	1,250	1,250	-	13%
Frederica Trading Limited	880	880	-	9%
Glenmoor Trading Limited	880	880	-	9%
Huntly Trading Limited	1,000	1,000	-	10%
Jephcote Trading Limited	1,650	1,650	-	17%
Saville Services Limited	1,650	1,650	-	17%
Total Qualifying Investments	7,310	7,310	-	74%
Non-Qualifying Investments				
Puma Brandenburg Finance Limited	1,330	1,330	-	13%
Buckhorn Lending Limited	400	400	-	4%
Total Non-Qualifying investments	1,730	1,730	-	17%
Total Investments	9,040	9,040	-	91%
Balance of Portfolio	911	911	-	9%
Net Assets	**9,951**	**9,951**	**-**	100%

Of the investments held at 28 February 2015, 85 per cent are incorporated in England and Wales, 15 per cent in Europe. Percentages have been calculated on the valuation of the assets at the reporting date.

Income Statement
For the year ended 28 February 2015

	Note	Year ended 28 February 2015 Revenue £'000	Capital £'000	Total £'000	14 months ended 28 February 2014 Revenue £'000	Capital £'000	Total £'000
Gain/(loss) on investments	8 (c)	-	38	38	-	(218)	(218)
Income	2	606	-	606	741	-	741
		606	38	644	741	(218)	523
Investment management fees	3	(53)	(159)	(212)	(65)	(195)	(260)
Other expenses	4	(170)	-	(170)	(203)	-	(203)
		(223)	(159)	(382)	(268)	(195)	(463)
Profit/(loss) on ordinary activities before taxation		383	(121)	262	473	(413)	60
Tax on return on ordinary activities	5	(26)	-	(26)	-	-	-
Profit/(loss) on ordinary activities after tax attributable to equity shareholders		357	(121)	236	473	(413)	60
Basic and diluted Return/(loss) per Ordinary Share (pence)	6	2.65p	(0.90p)	1.75p	3.50p	(3.06p)	0.44p

The total column represents the profit and loss account and the revenue and capital columns are supplementary information.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

No separate Statement of Total Recognised Gains and Losses is presented as all gains and losses are included in the Income Statement.

Balance Sheet
As at 28 February 2015

	Note	As at 28 February 2015 £'000	As at 28 February 2014 £'000
Fixed Assets			
Investments	**8**	9,040	9,956
Current Assets			
Debtors	**9**	653	172
Cash		424	388
		1,077	560
Creditors - amounts falling due within one year	**10**	(165)	(124)
Net Current Assets		912	436
Total Assets less Current Liabilities		9,952	10,392
Creditors - amounts falling due after more than one year (including convertible debt)	**11**	(1)	(1)
Net Assets		9,951	10,391
Capital and Reserves			
Called up share capital	**12**	135	135
Capital reserve – realised		(973)	(642)
Capital reserve – unrealised		-	(210)
Revenue reserve		10,789	11,108
Equity Shareholders' Funds		9,951	10,391
Net Asset Value per Ordinary Share	**13**	73.66p	76.92p
Diluted Net Asset Value per Ordinary Share	**13**	73.66p	76.92p

The financial statements were approved and authorised for issue by the Board of Directors on 30 June 2015 and were signed on their behalf by:

David Buchler
Chairman
30 June 2015

Cash Flow Statement

For the year ended 28 February 2015

	Year ended 28 February 2015 £'000	14 months ended 28 February 2014 £'000
Profit on ordinary activities before taxation	262	60
(Gains)/loss on investments	(38)	218
Increase in debtors	(481)	(97)
Increase/(decrease) in creditors	15	(11)
Net cash (outflow)/inflow from operating activities	(242)	170
Capital expenditure and financial investment		
Purchase of investments	(950)	(3,200)
Proceeds from sale of investments and repayments of loans and loan notes	1,904	3,843
Net cash inflow from capital expenditure and financial investment	954	643
Dividends paid	(676)	(1,351)
Net cash inflow/(outflow) before financing	36	(538)
Increase/(decrease) in cash in the year	36	(538)
Reconciliation of net cash flow to movement in net funds		
Increase/(decrease) in cash in the year	36	(538)
Net funds at start of year	388	926
Net funds at end of year	424	388

Reconciliation of Movements in Shareholders' Funds
For the year ended 28 February 2015

	Called up share capital £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000	Total £'000
Balance as at 1 March 2013	135	(718)	279	11,986	11,682
Return after taxation attributable to equity shareholders	-	(203)	(210)	473	60
Realisation of revaluation from prior period	-	279	(279)	-	-
Dividends paid	-	-	-	(1,351)	(1,351)
Balance as at 28 February 2014	**135**	**(642)**	**(210)**	**11,108**	**10,391**
Return after taxation attributable to equity shareholders	-	(121)	-	357	236
Realisation of revaluation from prior period	-	(210)	210	-	-
Dividends paid	-	-	-	(676)	(676)
Balance as at 28 February 2015	**135**	**(973)**	**-**	**10,789**	**9,951**

Distributable reserves comprise: Capital reserve-realised, Capital reserve-unrealised and the Revenue reserve. At the year end distributable reserves totalled £9,816,000 (2014: £10,256,000).

The Capital reserve-realised includes gains/losses that have been realised less related costs. The Capital reserve-unrealised represents the gains/losses on investments still held by the company.

1. Accounting Policies

Basis of Accounting
Puma VCT VII plc ("the Company") was incorporated and is domiciled in England and Wales. The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments held at fair value, and in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("SORP") revised in 2009.

Income Statement
In order to better reflect the activities of a Venture Capital Trust and in accordance with guidance issued by the Association of Investment Companies ("AIC"), supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The profit for the year of £236,000 as per the Income Statement on page 26 is the measure that the Directors believe is appropriate in assessing the Company's compliance with certain requirements set out in s274 of the Income Tax Act 2007.

Investments
All investments have been designated as fair value through profit or loss, and are initially measured at cost which is the best estimate of fair value. A financial asset is designated in this category if acquired to be both managed and its performance is evaluated on a fair value basis with a view to selling after a period of time in accordance with a documented risk management or investment strategy. All investments held by the Company have been managed in accordance with the investment policy set out on page 13. The investments are measured at subsequent reporting dates at fair value. Listed investments and investments traded on AIM are stated at bid price at the reporting date. Unquoted investments are stated at Directors' valuation with reference to the International Private Equity and Venture Capital Valuation Guidelines ("IPEVC") and in accordance with FRS26 "Financial Instruments: Measurement":

- Investments which have been made within the last twelve months or where the investee company is in the early stage of development will usually be valued at the price of recent investment except where the company's performance against plan is significantly different from expectations on which the investment was made in which case a different valuation methodology will be adopted.

- Investments in debt instruments will usually be valued by applying a discounted cash flow methodology based on expected future returns of the investment.

- Alternative methods of valuation such as net asset value may be applied in specific circumstances if considered more appropriate.

Realised surpluses or deficits on the disposal of investments are taken to realised capital reserves, and unrealised surpluses and deficits on the revaluation of investment are taken to unrealised capital reserves.

It is not the Company's policy to exercise a controlling influence over investee companies. Therefore the results of the companies are not incorporated into the revenue account except to the extent of any income accrued.

Cash at bank and in hand
Cash at bank and in hand comprises cash on hand and demand deposits.

Equity instruments
Equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at proceeds received net of issue costs.

1. Accounting Policies (continued)

Income
Dividends receivable on listed equity shares are brought into account on the ex-dividend date. Dividends receivable on unlisted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Interest receivable is recognised wholly as a revenue item on an accruals basis.

Performance fees
Upon its inception, the Company agreed performance fees payable to the Investment Manager, Shore Capital Limited, and members of the investment management team, at 20 per cent of the aggregate excess of amounts realised over £1 per Ordinary Share returned to Ordinary shareholders. This incentive will only be exercisable once the holders of Ordinary Shares have received distributions of £1 per share. The performance fee is accounted for as an equity-settled share-based payment.

FRS 20 Share-Based Payment requires the recognition of an expense in respect of share-based payments in exchange for goods or services. Entities are required to measure the goods or services received at their fair value, unless that fair value cannot be estimated reliably in which case that fair value should be estimated by reference to the fair value of the equity instruments granted.

At each balance sheet date, the Company estimates that fair value by reference to any excess of the net asset value, adjusted for dividends paid, over £1 per share in issue at the balance sheet date. Any change in fair value in the year is recognised in the Income Statement with a corresponding adjustment to equity.

Expenses
All expenses (inclusive of VAT) are accounted for on an accruals basis. Expenses are charged wholly to revenue, with the exception of:

- expenses incidental to the acquisition or disposal of an investment charged to capital; and
- the investment management fee, 75 per cent of which has been charged to capital to reflect an element which is, in the directors' opinion, attributable to the maintenance or enhancement of the value of the Company's investments in accordance with the board's expected long-term split of return; and
- the performance fee which is allocated proportionally to revenue and capital based on the respective contributions to the Net Asset Value.

Taxation
Corporation tax is applied to profits chargeable to corporation tax, if any, at the applicable rate for the year. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue return on the marginal basis as recommended by the SORP.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent years. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1. Accounting Policies (continued)

Reserves
Realised losses and gains on investments, transaction costs, the capital element of the investment management fee and taxation are taken through the Income Statement and recognised in the Capital Reserve – Realised on the Balance Sheet. Unrealised losses and gains on investments and the capital element of the performance fee are also taken through the Income Statement and are recognised in the Capital Reserve – Unrealised.

Debtors
Debtors include accrued income which is recognised at amortised cost, equivalent to the fair value of the expected balance receivable.

Dividends
Final dividends payable are recognised as distributions in the financial statements when the Company's liability to make payment has been established. The liability is established when the dividends proposed by the Board are approved by the Shareholders. Interim dividends are recognised when paid.

2. Income

	Year ended 28 February 2015 £'000	14 months ended 28 February 2014 £'000
Income from investments		
Loan stock interest	602	710
Bond yields	-	18
	602	728
Other income		
Bank deposit income	4	13
	606	741

3. Investment Management Fees

	Year ended 28 February 2015 £'000	14 months ended 28 February 2014 £'000
Shore Capital Limited	212	260
	212	260

Shore Capital Limited ("Shore Capital") has been appointed as the Investment Manager of the Company for an initial period of five years, which can be terminated by not less than twelve months' notice, given at any time by either party, on or after the fifth anniversary. The Board is satisfied with the performance of the Investment Manager. Under the terms of this agreement Shore Capital is paid an annual fee of 2 per cent of the Net Asset Value payable quarterly in arrears calculated on the relevant quarter end NAV of the Company. These fees are capped, the Investment Manager having agreed to reduce its fee (if necessary to nothing) to contain total annual costs (excluding performance fee and trail commission) to within 3.5 per cent of Net Asset Value. Total annual costs were 3.5% of the average Net Asset Value for the year (2014: 3.5%).

4. Other expenses

	Year ended 28 February 2015 £'000	14 months ended 28 February 2014 £'000
Administration - Shore Capital Fund Administration Services Limited	37	45
Directors' Remuneration	61	71
Social security costs	3	4
Auditor's remuneration for statutory audit	22	21
Insurance	1	3
Legal and professional fees	9	12
Trail commission	29	31
Other expenses	8	16
	170	203

Shore Capital Fund Administration Services Limited provides administrative services to the Company for an aggregate annual fee of 0.35 per cent of the Net Asset Value of the Fund, payable quarterly in arrears.

The total fees paid or payable (excluding VAT and employers NIC) in respect of individual Directors for the year are detailed in the Directors' Remuneration Report on page 17. The Company had no employees (other than Directors) during the year. The average number of non-executive Directors during the year was 3 (2014: 3).

The Auditor's remuneration of £18,000 (2014: £17,500) has been grossed up in the table above to be inclusive of VAT.

5. Tax on Ordinary Activities

	Year ended 28 February 2015 £'000	14 months ended 28 February 2014 £'000
UK corporation tax charged to revenue reserve	26	-
UK corporation tax charged to capital reserve	-	-
UK corporation tax charge for the year	**26**	**-**
Factors affecting tax charge for the year		
Profit on ordinary activities before taxation	262	60
Tax charge calculated on profit on ordinary activities before taxation at the applicable rate of 20%	52	12
Capital income not taxable	(8)	81
Brought forward tax losses utilised	(18)	(93)
	26	-

The income statement shows the tax charge allocated to revenue and capital. Capital returns are not taxable as VCTs are exempt from tax on realised capital gains subject that they comply and continue to comply with the VCT regulations.

No provision for deferred tax has been made in the accounts. No deferred tax assets have been recognised as the timing of their recovery cannot be foreseen with any certainty. Due to the Company's status as a Venture Capital Trust and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

6. Basic and diluted return/(loss) per Ordinary Share

	Year ended 28 February 2015		
	Revenue	**Capital**	**Total**
Result for the year (£'000)	357	(121)	236
Weighted average number of shares	13,508,927	13,508,927	13,508,927
Return/(loss) per share	2.65p	(0.90)p	1.75p

	14 months ended 28 February 2014		
	Revenue	**Capital**	**Total**
Result for the period (£'000)	473	(413)	60
Weighted average number of shares	13,508,927	13,508,927	13,508,927
Return/(loss) per share	3.50p	(3.06)p	0.44p

The total return per ordinary share is the sum of the revenue return and capital return.

7. Dividends

The Directors do not propose a final dividend in relation to the year ended 28 February 2015 (2014: nil). Interim dividends of 5p per Ordinary Share were paid on 19 February 2015 (2014: 10p paid). Dividend payments totalled £676,000 (2014: £1,351,000).

8. Investments

(a) Summary	Historic cost as at 28 February 2015 £'000	Market value as at 28 February 2015 £'000	Historic cost as at 28 February 2014 £'000	Market value as at 28 February 2014 £'000
Qualifying venture capital investments	7,310	7,310	7,305	7,095
Non qualifying investments	1,730	1,730	2,861	2,861
	9,040	9,040	10,166	9,956

(b) Movements in investments	Qualifying investments £'000	Non-qualifying investments £'000	Total £'000
Opening value	7,095	2,861	9,956
Purchases at cost	550	400	950
Disposal proceeds and repayment of loans and loan notes	(373)	(1,531)	(1,904)
Realised net gains on disposals	38	-	38
Valuation at 28 February 2015	**7,310**	**1,730**	**9,040**
Book cost at 28 February 2015	7,310	1,730	9,040
Net unrealised gains at 28 February 2015	-	-	-
Valuation at 28 February 2015	7,310	1,730	9,040

(c) Gains/(losses) on investments

The gains/(losses) on investments for the year shown in the Income Statement on page 26 is analysed as follows:

	Year ended 28 February 2015 £'000	14 months ended 28 February 2014 £'000
Realised gain/(loss) on disposal	38	(8)
Net unrealised losses in respect of investments held at the Year end	-	(210)
	38	(218)

8. Investments - continued

(d) Quoted and unquoted investments	**Market value as at 28 February 2015 £'000**	**Market value as at 28 February 2014 £'000**
Quoted investments	-	-
Unquoted investments	9,040	9,956
	9,040	9,956

(e) Significant interests

Further details of investments are disclosed in the Investment Portfolio Summary on pages 6 to 10 of the Annual Report. The Company is able to exercise significant influence over investee companies.

Shore Capital Limited is the investment manager of the Company, Puma VCT 8 plc and Puma High Income VCT plc and a subsidiary of Shore Capital Limited is the investment manager of Puma VCT 9 plc and Puma VCT 10 plc.

These investments have not been accounted for as associates or joint ventures since FRS 9: Associates and Joint Ventures and the SORP require that Investment Companies treat all investments held as part of their investment portfolio in the same way, even those over which the Company has significant influence.

9. Debtors

	As at 28 February 2015 £'000	As at 28 February 2014 £'000
Prepayments and accrued income	653	172

10. Creditors – amounts falling due within one year

	As at 28 February 2015 £'000	As at 28 February 2014 £'000
Accruals and deferred income	139	124
Corporation tax	26	-
	165	124

11. Creditors – amounts falling due after more than one year (including convertible debt)

	As at 28 February 2015 £'000	As at 28 February 2014 £'000
Loan notes	1	1

On 29 November 2010, the Company issued Loan Notes in the amount of £1,000 to a nominee on behalf of the Investment Manager and members of the investment management team. The Loan Notes accrue interest of 5 per cent per annum.

The loan notes entitle the Investment Manager and members of the investment management team to receive a performance related incentive of 20 per cent of the aggregate amounts realised by the Company in excess of £1 per Ordinary Share. The Shareholders will be entitled to the balance. This incentive, to be effected through the issue of shares in the Company, will only be exercised once the holders of Ordinary Shares have received dividends of £1 per share (whether capital or income). The performance incentive structure provides a strong incentive for the Investment Manager to ensure that the Company performs well, enabling the Board to approve distributions as high and as soon as possible.

In the event that distributions to the holders of Ordinary Shares totalling £1 per share have been made the Loan Notes will convert into sufficient Ordinary Shares to represent 20 per cent of the enlarged number of Ordinary Shares.

The amount of the performance fee will be calculated as 20 per cent of the excess of the net asset value (adjusted for dividends paid) over £1 per issued share.

12. Called Up Share Capital

	As at 28 February 2015 £'000	As at 28 February 2014 £'000
13,508,927 ordinary shares of 1p each	135	135

13. Net Asset Value per Ordinary Share

	As at 28 February 2015	As at 28 February 2014
Net assets	9,951,000	10,391,000
Shares in issue	13,508,927	13,508,927
Net asset value per share		
Basic	73.66p	76.92p
Diluted	73.66p	76.92p

14. Financial Instruments

The Company's financial instruments comprise its investments, cash balances, debtors and certain creditors. The fair value of all of the Company's financial assets and liabilities is represented by the carrying value in the Balance Sheet. The Company held the following categories of financial instruments.

	As at 28 February 2015 £'000	As at 28 February 2014 £'000
Assets at fair value through profit or loss		
Investments managed through Shore Capital Limited	9,040	9,956
Loans and receivables		
Cash at bank and in hand	424	388
Interest, dividends and other receivables	653	172
Other financial liabilities		
Financial liabilities measured at amortised cost	(140)	(125)
	9,977	10,391

14. Financial Instruments (continued)

Management of risk
The main risks the Company faces from its financial instruments are market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency movements, liquidity risk, credit risk and interest rate risk. The Board regularly reviews and agrees policies for managing each of these risks. The Board's policies for managing these risks are summarised below and have been applied throughout the year.

Credit risk
Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Investment Manager monitors counterparty credit risk on an ongoing basis. The carrying amount of financial assets best represents the maximum credit risk exposure at the balance sheet date. The Company's financial assets and maximum exposure to credit risk is as follows:

	As at 28 February 2015 £'000	As at 28 February 2014 £'000
Investments in loans, loan notes and bonds	5,027	6,328
Cash at bank and in hand	424	388
Interest, dividends and other receivables	653	172
	6,104	6,888

The cash held by the Company at the year end is split between a UK bank and a BBB rated South African bank. Bankruptcy or insolvency of either bank may cause the Company's rights with respect to the receipt of cash held to be delayed or limited. The Board monitors the Company's risk by reviewing regularly the financial position of the banks and should it deteriorate significantly the Investment Manager will, on instruction of the Board, move the cash holdings to another bank.

Credit risk associated with interest, dividends and other receivables are predominantly covered by the investment management procedures.

Investments in loans, loan notes and bonds comprise a fundamental part of the Company's venture capital investments, therefore credit risk in respect of these assets is managed within the Company's main investment procedures.

Market price risk
The Company's strategy on the management of market price risk is driven by the Company's investment policy as outlined in the Strategic Report on page 12. The management of market price risk is part of the investment management process. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders.

14. Financial Instruments (continued)

Holdings in unquoted investments may pose higher price risk than quoted investments. Some of that risk can be mitigated by close involvement with the management of the investee companies along with review of their trading results.

None of the Company's investments are listed on the London Stock Exchange (2014: nil) and all are unquoted investments (2014: 100%).

Liquidity risk
Details of the Company's unquoted investments are provided in the Investment Portfolio summary on page 6. By their nature, unquoted investments may not be readily realisable, the Board considers exit strategies for these investments throughout the period for which they are held. As at the year end, the Company had no borrowings other than loan notes amounting to £1,000 (see note 11).

The Company's liquidity risk associated with investments is managed on an ongoing basis by the Investment Manager in conjunction with the Directors and in accordance with policies and procedures in place as described in the Strategic Report. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient investments in cash to pay accounts payable and accrued expenses.

Fair value interest rate risk
The benchmark that determines the interest received on the current account is the Bank of England base rate, which was 0.5 per cent at 28 February 2015 and 28 February 2014. All of the loan and loan note investments are unquoted and hence not directly subject to market movements as a result of interest rate movements.

At the year end and throughout the year, the Company's only liability subject to fair value interest rate risk were the Loan Notes of £1,000 at 5.0 per cent (2014: £1,000) (see note 11).

Cash flow interest rate risk
The Company has exposure to interest rate movements primarily through its cash deposits and loan notes which track either the Bank of England base rate or LIBOR.

14. Financial Instruments (continued)

Interest rate risk profile of financial assets

The following analysis sets out the interest rate risk of the Company's financial assets as at 28 February 2015.

As at 28 February 2015	Rate status	Average interest rate	Period until maturity	Total £'000
Cash at bank – RBS	Floating	0.15%	-	165
Cash at bank - Investec	Fixed	0.80%	32 day notice	259
Loans and loan notes	Floating	17.19%	31 months	3,697
Loans and loan notes	Fixed	5.00%	9 months	1,330
Balance of assets	Non-interest bearing		-	4,666
				10,117

As at 28 February 2014	Rate status	Average interest rate	Period until maturity	Total £'000
Cash at bank - RBS	Floating	0.15%	-	83
Cash at bank - Investec	Fixed	0.80%	32 day notice	305
Loans and loan notes	Floating	15.18%	42 months	4,998
Loans and loan notes	Fixed	5.00%	21 months	1,330
Balance of assets	Non-interest bearing		-	3,800
				10,516

Foreign currency risk

The reporting currency of the Company is Sterling. The Company has not held any non-Sterling investments during the year.

14. Financial Instruments (continued)

Fair value hierarchy
Fair values have been measured at the end of the reporting period as follows:-

As at 28 February 2015	**Level 1 'Quoted prices' £'000**	**Level 2 'Observable inputs' £'000**	**Level 3 'Unobservable inputs' £'000**	**Total £'000**
At fair value through profit and loss	-	-	9,040	9,040

As at 28 February 2014	**Level 1 'Quoted prices' £'000**	**Level 2 'Observable inputs' £'000**	**Level 3 'Unobservable inputs' £'000**	**Total £'000**
At fair value through profit and loss	-	-	9,956	9,956

Financial assets and liabilities measured at fair value are disclosed using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements, as follows:-

- Level 1 – Unadjusted quoted prices in active markets for identical asset or liabilities ('quoted prices');
- Level 2 – Inputs (other than quoted prices in active markets for identical assets or liabilities) that are directly or indirectly observable for the asset or liability ('observable inputs'); or
- Level 3 – Inputs that are not based on observable market data ('unobservable inputs').

The Level 3 investments have been valued in line with the Company's accounting policies and IPEVC guidelines. Further details of these investments are disclosed in the significant investments section of the Annual Report.

Reconciliation of fair value for level 3 financial instruments held at the year end:

	Unquoted shares £'000	**Loans and loan notes £'000**	**Total £'000**
At 1 January 2013	2,053	5,068	7,121
Purchases at cost	1,785	1,415	3,200
Repayments	-	(155)	(155)
Unrealised loss	(210)	-	(210)
Balance as at 28 February 2014	3,628	6,328	9,956
Purchases at cost	385	565	950
Repayments	(38)	(1,866)	(1,904)
Realised gain	38	-	38
Balance as at 28 February 2015	4,013	5,027	9,040

15. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide an adequate return to shareholders by allocating its capital to assets commensurate with the level of risk.

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is and must remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed.

The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to maintain a level of liquidity to remain a going concern.

The Board has the opportunity to consider levels of gearing, however there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the level of liabilities is small and the management of those liabilities is not directly related to managing the return to shareholders. There has been no change in this approach from the previous period.

16. Contingencies, Guarantees and Financial Commitments

There were no commitments, contingencies or guarantees of the Company at the year-end (2014: nil).

17. Controlling Party

In the opinion of the Directors there is no immediate or ultimate controlling party.