informed RCM

# RCM Technology Trust PLC

Annual Financial Report for the year ended 30 November 2008


www.rcmtechnologytrust.co.uk

# Contents

# Company Summary

## Investment Policy

The Company invests principally in the equity securities of quoted technology companies on a worldwide basis with the aim of achieving long-term capital growth.

### Risk Diversification

The Company aims to diversify risk and no holding in the portfolio will comprise more than 15% of the Company's assets at the time of acquisition. The Company aims to diversify the portfolio across a range of technology sub-sectors.

### Asset allocation

The fund managers do not target specific country or regional weightings and aim to invest in the most attractive technology shares on a global basis. The fund managers aim to identify the leading companies in emerging technology growth sub-sectors. The majority of the portfolio will comprise mid and large cap technology shares.

### Gearing

In normal market conditions gearing will not exceed 10% of net assets but may increase to 20%. The Company's Articles of Association limit borrowing to one quarter of its called up share capital and reserves.

### Liquidity

In normal market conditions the liquidity of the portfolio, that is the proportion of the Company's net assets held in cash or liquid investments, will not exceed 15% of net assets but may be increased to a maximum of 30%.

### Derivatives

The Company may use derivatives for investment purposes within guidelines set down by the Board. However, the Board has no immediate intention of using derivatives and there is no such exposure in the portfolio.

### Foreign Currency

The Company does not currently hedge foreign currency exposure.

### Benchmark

Dow Jones World Technology Index (£ Total Return).

### Dividends

The investments in the Company's portfolio typically provide little, if any, income. No dividend has been declared in respect of the year ended 30 November 2008 (2007 – nil) and it is unlikely that any dividend will be paid in the foreseeable future.

## Corporate Details

| | |
|---|---|
| Capital Structure | The Company had 23,328,849 Ordinary Shares of 25p and 4,765,631 Subscription Shares of 1p in issue, as at 20 February 2009. |
| Subscription Shares | Subscription Shares were issued to qualifying Ordinary Shareholders in August 2007. Each Subscription Share confers the right (but not the obligation) to subscribe for one Ordinary Share in the thirty days preceding the Annual General Meeting in each of the years 2008 to 2012 at a price of 267p per share. Subscription Shares have no voting rights and no entitlement to any dividends. |
| Continuation Vote | Shareholders will have the opportunity to vote at the Annual General Meeting in 2011 whether to continue the Company and thereafter at five yearly intervals. |

## Management Details

Details of the principal terms of the Investment Management Agreement can be found in the Report of the Directors on page 14. Details of the fees paid to the Manager in the year under review can be found in the Notes to the Financial Statements on page 33.

# The Board

**David Quysner CBE, MA (Cantab), (Chairman)***
David Quysner, aged 62, joined the Board on 7 March 2003 and became Chairman on 28 April 2004. He is Chairman of Abingworth Management Limited, a venture capital fund management company, and a former Chairman of the British Venture Capital Association. He is a Director of several companies including ANGLE plc, Foresight 2 VCT plc and Private Equity Investor plc.

**John Cornish+, B.Sc(Econ), FCA**
John Cornish, aged 65, joined the Board on 1 May 2005. He was appointed as Senior Independent Director on 6 April 2006. John has over 30 years' audit experience and retired as a senior partner of Deloitte & Touche in 2004. From the late 1980s John led the firm's Investment Trust Industry Team, achieving a high profile in the industry with the AIC and various fund management groups. He is currently Chairman of Framlington Innovative Growth Trust PLC and a Director of Strategic Equity Capital Plc, Henderson EuroTrust plc and RIT Capital Partners plc.

**Paul Gaunt, B.Sc(Econ)**
Paul Gaunt, aged 59, joined the Board on 7 November 1995. Paul has over 30 years' experience in the investment industry. He was formerly Senior Investment Manager and an Assistant General Manager of the Equitable Life Assurance Society. He is currently a Director of The Biotechnology Trust PLC and Finsbury Worldwide Pharmaceutical Trust PLC.

**Richard Holway**
Richard Holway, aged 62, joined the Board on 29 January 2007. He was Group Marketing Director for Hoskyns (now Capgemini) before, in 1986, setting up his own analysis company, Richard Holway Limited. This was acquired by Ovum in 2002 which floated on AIM in 2006 and was subsequently acquired by Datamonitor. Currently, he is the Chairman of TechMarketView LLP and sits on the advisory board of Elderstreet Capital Partners. He is also a non-executive director of the holding company of technology M&A specialists, Regent. He was a founder of the Prince's Trust Technology Leadership Group in 2002 and became the Chairman in April 2007.

**Dr Chris Martin, D.Phil, FIChemE**
Dr Chris Martin, aged 50, joined the Board on 7 March 2003. Chris is currently the Chairman of Sciona Inc., a genomic personalised health company and has experience in venture capital funding for technology companies. He is also Chief Executive Officer of Spirogen Limited, and a Director of Cascade Fund Management Limited.

All Directors are non-executive
* Chairman of the Management Engagement Committee
+ Chairman of the Audit Committee

# The Managers

## Account Director

**Simon White, MA (Oxon), FSI**
Simon White is Head of Investment Trusts at RCM (UK) Limited. He was formerly Managing Director of Kleinwort Benson Unit Trusts Limited. He is a Fellow of the Securities Institute, with a background in UK equity fund management.

# Fund Managers

**Walter Price CFA**
Walter Price is a Managing Director, Senior Analyst, and Portfolio Manager on the RCM technology team. He joined RCM in 1974 as a senior securities analyst in technology and became a principal in 1978. Since 1985, he has had increasing portfolio responsibility for technology stocks and has managed many technology portfolios.

**Huachen Chen CFA**
Huachen Chen is a Senior Portfolio Manager, and joined RCM in 1984. He has covered many sectors within technology, as well as the electrical equipment and multi-industry areas. Since 1990, he has had extensive portfolio responsibilities for technology and capital goods stocks and has managed U.S. and Global portfolios with Walter Price. In 1994 Huachen became a principal of RCM. Prior to RCM, he worked for Intel Corporation from 1980 to 1983, where he had responsibilities for semiconductor process engineering.

## Financial Summary

| | For the year ended 30 November 2008 | For the year ended 30 November 2007 | % change |
|---|---|---|---|
| Revenue | £479,513 | £327,434 | +46.4 |
| Total Expense Ratio+ | 2.0% | 1.6% | n/a |
| Available for Ordinary Dividend | (£495,662) | (£1,228,107) | +59.6 |
| Earnings per Ordinary Share | (2.10p) | (5.12p) | +59.0 |

| | As at 30 November 2008 | As at 30 November 2007 | % change |
|---|---|---|---|
| Net Asset Value per Ordinary Share | 191.1p | 262.1p | -27.1 |
| Dow Jones World Technology Index (Sterling adjusted Total Return) | 178.2 | 248.8 | -28.4 |
| Ordinary Share Price | 176.5p | 239.0p | -26.2 |
| Discount of Ordinary Share Price to Net Asset Value | 7.6% | 8.8% | n/a |
| Total Net Assets | £44,920,943 | £62,540,819 | -28.2 |

\+ The Total Expense Ratio is calculated by dividing operating expenses (excluding performance fee, finance costs and non-recurring expenses) by total assets less current liabilities.

## Six Year Performance Summary

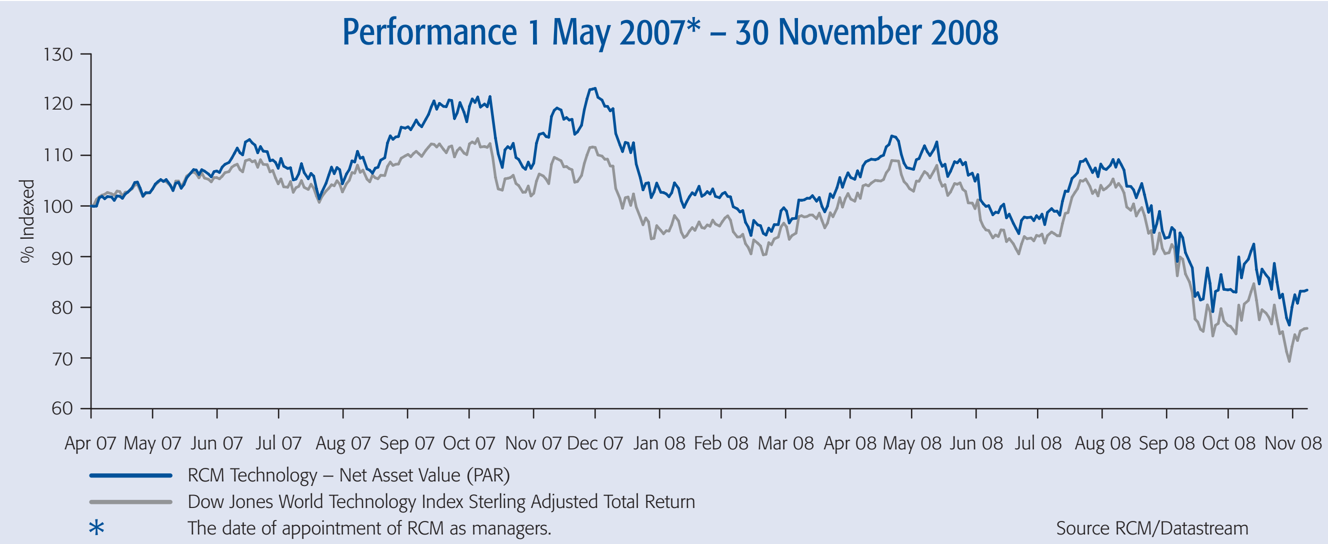
| | 30 November 2003 | 30 November 2004 | 30 November 2005 | 30 November 2006* | 30 November 2007** | 30 November 2008*** |
|---|---|---|---|---|---|---|
| Shareholders' Funds | £68.2m | £61.1m | £62.0m | £55.2m | £62.5m | £44.9m |
| Net Asset Value per Ordinary Share | 246.8p | 221.1p | 237.2p | 227.4p | 262.1p | 191.1p |
| Ordinary Share Price | 210.0p | 200.5p | 220.3p | 212.5p | 239.0p | 176.5p |
| Discount of Ordinary Share Price to Net Asset Value per share | 14.9% | 9.3% | 7.1% | 6.6% | 8.8% | 7.6% |
| Dow Jones World Technology Index (sterling adjusted, calculated on a total return basis) | 214.6 | 195.8 | 235.4 | 231.8 | 248.8 | 178.2 |

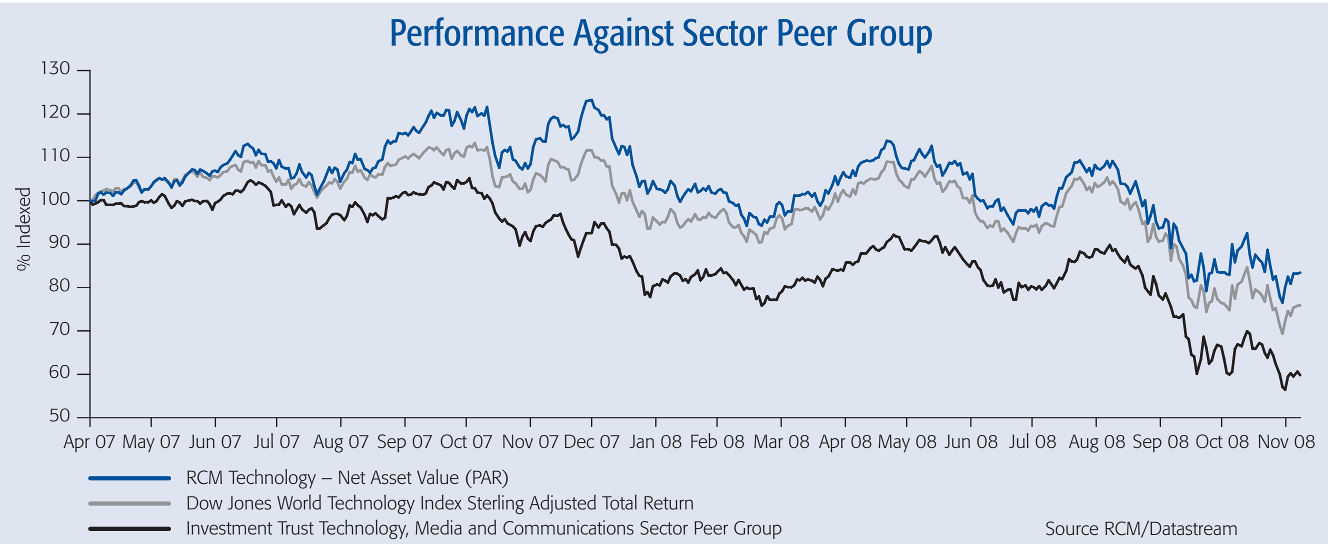
* During the year ended 30 November 2006, a total of 1,875,000 shares were repurchased and cancelled at a total cost of £4,087,950.

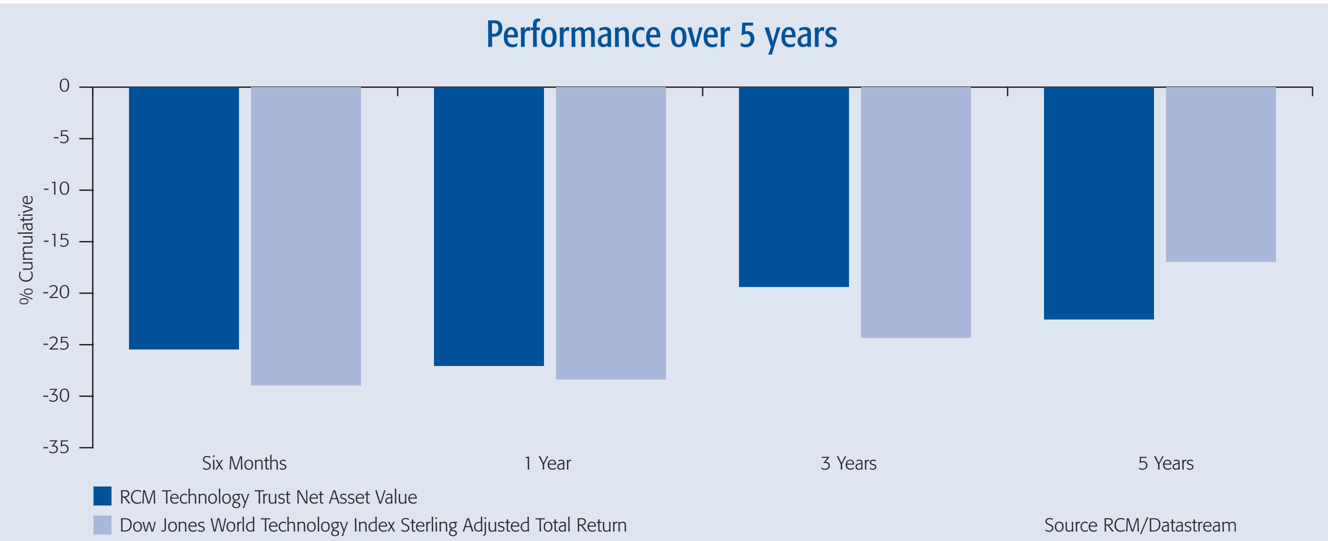
** During the year ended 30 November 2007, a total of 420,000 shares were repurchased and cancelled at a total cost of £936,624.

*** During the year ended 30 November 2008, a total of 328,000 shares were repurchased and cancelled and 30,000 shares were repurchased to be held in treasury at a total cost of £823,674.

# Performance Graphs




The Dow Jones World Technology Index (sterling adjusted, calculated on a total return basis) was adopted as the Company's benchmark on 1 December 2005.
Source: RCM (UK) Ltd.

# Chairman's Statement

## Results and Performance

The year under review was one of extraordinary turmoil in financial markets. Against a background of concerns about the liquidity and stability of the global financial system, equity markets around the world saw sharp declines. Share prices of technology companies, including those in the USA that make up the greater part of the Trust's portfolio, fell significantly and the net asset value of the fund reflected this. However, the dollar strengthened considerably against sterling over the period and this cushioned the impact on the fund in sterling terms.

The net asset value per ordinary share decreased from 262.1p to 191.1p, or 27.1% compared with a fall of 28.4% in the Trust's benchmark index. The ordinary share price fell by 26.2% from 239.0p to 176.5p. The discount reduced slightly from 8.8% to 7.6%.

## Share buy backs

During the year we pursued our policy of repurchasing shares in the market at discounts in excess of 7% where there was demand in the market for us to do so. The company repurchased and cancelled 328,000 Ordinary Shares and a further 30,000 Ordinary Shares were repurchased and held in treasury for possible re-sale in order to help provide additional market liquidity. We will not re-issue shares at a discount higher than that applying when the shares were purchased, thus ensuring that the assets of existing shareholders are not diluted by the transactions when viewed on a combined basis. Since the year end, a further 178,400 shares have been repurchased and are held in treasury.

## VAT

In the course of 2007, JP Morgan Claverhouse and the Association of Investment Companies succeeded in their case against HM Revenue and Customs ('HMRC') and VAT is no longer charged on management fees. We expect that an amount of VAT paid in respect of prior years will be recoverable and are in discussions with our previous managers to recoup past VAT.

## Dividend

The investments in the Company's portfolio typically provide a very low yield. No dividend has been declared in respect of the year ended 30 November 2008 (2007 – nil) and it is unlikely that a dividend will be paid for the foreseeable future.

## Board of Directors

The directors retiring by rotation at this year's annual general meeting are John Cornish and Dr Chris Martin. Also retiring is Paul Gaunt, who retires annually as a long serving director. All are standing for re-election and each is fully supported by the Board.

## Outlook

The outlook for all world economies has deteriorated markedly in recent months. Stock markets are likely to remain volatile as falling consumption is met with government and central bank initiatives to stimulate demand. Selectively, a number of the leading Technology companies are comparatively well placed to ride out the storm, with relatively strong balance sheets and product solutions which help companies save money or become more efficient. In this environment, careful stock selection remains paramount and our managers will continue to focus on fundamental research to identify the longer term winners.

## Subscription Shares

A notice has been posted to all registered shareholders of Subscription Shares setting out how they may exercise subscription rights in the period leading up to this year's Annual General Meeting.

## Annual General Meeting

The Annual General Meeting will be held at The City of London Club, 19 Old Broad Street, London EC2N 1DS, on Monday 30 March 2009 at 11.45 a.m. I look forward to meeting those shareholders who are able to attend.

**David Quysner** | Chairman
20 February 2009

# Investment Manager's Review

### Portfolio themes

In response to what appears likely to be a severe economic recession, we focused the Company's investments on a number of key themes within the portfolio. Our overarching conviction is that one of the most important factors in the global economy for the foreseeable future will be the application of technology to proven business processes to save money.

We expect the need to cut costs will force companies to adopt new ways of doing business that offer significant savings. One of these methods is by increasingly out-sourcing business processes, and as a result we own stocks that should benefit from this trend such as **IBM, Hewlett-Packard, Capita,** and **Cognizant.** These companies offer consulting services to their clients in order to find better ways to run a business using modern technologies such as virtualisation or data centre consolidation. These companies also assist their clients in the implementation of this advice, with their employees performing key tasks such as claims processing, applications maintenance and development. Many of these companies have global networks in centres of technical excellence in India or Eastern Europe, but they also may do much of the work in large, more efficient data centres near the customer by using modern server and software products that use less power and labour. We think that the upgrading of data centres will be one of the first priorities as companies begin spending money again.

Communication products that allow global networking are favoured by these trends and should benefit the Company's investments in holdings such as **Riverbed, Cisco,** and **Juniper.** These companies are also helped because carriers are adopting the Ethernet technology for their customer networks that has been used in data centres for decades, thereby reducing costs for everyone. Better quality video conferencing is also helping to reduce travel costs and improving management efficiency as well as increasing demand for these products.

Modern digital networks also serve the consumer and facilitate another theme in the portfolio, which is the trend toward "smart" phones that allow mobile use of the internet in a much more seamless way. The **Apple** iPhone has proved to be an enormous success within the cell phone world because it offers a world class operating system on a mobile device that is linked seamlessly into Apple's internet portal, iTunes. This portal offers software updates, music and video content, as well as thousands of software "widgets" that improve social networking, offer games downloads, or provide more efficient email or voice mail usage. The rapid increase in mobile data usage is increasing the demand for faster 3G networks and helping **Qualcomm** increase its royalty and chipset income from such devices. In 2009, we expect the two largest phone markets in the world, China and India, to begin to deploy this technology.

The drive for efficiency is causing companies to rethink whether they should connect into "software as a service" from companies such as **Salesforce.com** or **Microsoft.** Those companies now offer to update and maintain their software applications and charge the customer a monthly fee for their applications. Both also provide a development environment in which the customer can build and run their own applications. These concepts are increasingly resonating with both large and small companies. Other portfolio companies that are seeing rapid growth from so-called "cloud computing" offerings are **Google** and **Amazon.** Both are using their low cost technology infrastructure to gain customers for their computing outsourcing services. We think that this will become a large business for both companies, though they each remain primarily leaders in internet services for search and e-commerce, respectively.

We continue to pursue the theme of alternative energy and energy efficiency with holdings such as **First Solar** and the intelligent meter company, **Itron.** We see increasing focus by governments around the world, especially the new Obama administration in the United States, on these technologies to reduce greenhouse emissions, increase employment, and improve energy security and stability. The difficult credit markets and fall in the oil price have undoubtedly hurt these companies in 2008, but we think governments will support these projects in 2009.

Finally, we have owned several Chinese technology companies that are focused on internet networking and gaming, such as **Tencent** or **Netease,** or internet search, such as **Baidu.** These stocks have been negatively affected by the slowing Chinese economy and declining stock market, but their businesses have done relatively well. We believe that the Chinese government is determined to stimulate its economy in 2009 and this should help these companies continue their high growth rates.

We have maintained a relatively cautious stance this year and held some of the Trust's liquidity in US government bonds as a defensive measure. The bond holdings have been chosen to ensure that the Trust maintains investment trust status, which requires that a majority of the Trust's income should come from shares and securities.

### Outlook

The world economy is in the worst recession in many decades, and we think the process of reducing debt levels and increasing saving by businesses and consumers, particularly in the developed world, will continue for a number of years. This process is likely to lead to subdued growth rates in many economies even as the world emerges from recession.

It is worth recalling that the technology sector has higher levels of cash than in previous downturns and significantly more resilient business models than five years ago. Technology companies also offer cost savings to their customers. Thus, we are hopeful that our companies will do relatively well in this downturn and will respond positively when evidence of economic recovery eventually emerges.

**Walter Price and Huachen Chen** | RCM
20 February 2009

# **Investment Portfolio** as at 30 November 2008

| Investment | Sector | Country | Fair Value £'000 | % of Portfolio |
|---|---|---|---|---|
| Ten Largest Investments | | | | |
| Microsoft | Software | United States | 3,252 | 7.4 |
| Hewlett Packard | Hardware | United States | 3,245 | 7.4 |
| Apple | Hardware | United States | 2,641 | 6.0 |
| US Treasury Bill 0% 19/02/09 | Bond | United States | 2,411 | 5.5 |
| International Business Machines | Software | United States | 2,176 | 4.9 |
| Google | Software | United States | 2,140 | 4.8 |
| Oracle | Software | United States | 1,941 | 4.4 |
| Qualcomm | Hardware | United States | 1,557 | 3.5 |
| US Treasury Bill 0% 02/04/09 | Bond | United States | 1,498 | 3.4 |
| Cisco | Hardware | United States | 1,333 | 3.0 |
| **Total** | | | **22,194** | **50.3** |
| Balance of Investment Portfolio | | | | |
| Intel | Hardware | United States | 1,175 | 2.7 |
| Comcast | Media | United States | 1,154 | 2.6 |
| McAfee | Software | United States | 1,101 | 2.5 |
| Cognizant | Software | United States | 1,022 | 2.3 |
| Capita Group | Support Services | United Kingdom | 943 | 2.2 |
| Data Domain | Hardware | United States | 888 | 2.0 |
| Activision | Leisure Goods | United States | 860 | 2.0 |
| American Tower | Hardware | United States | 855 | 1.9 |
| Directv Group | Media | United States | 838 | 1.9 |
| Riverbed Technologies | Hardware | United States | 822 | 1.9 |
| **Top 20 investments** | | | **31,852** | **72.3** |
| Nokia | Hardware | United States | 659 | 1.4 |
| EMC | Hardware | United States | 619 | 1.4 |
| Monsanto | Chemicals | United States | 557 | 1.3 |
| Netease.com | Software | United States | 534 | 1.2 |
| CA | Software | United States | 528 | 1.2 |
| Microdose* | Hardware | United States | 490 | 1.1 |
| Nintendo | Leisure Goods | Japan | 481 | 1.1 |
| On Semiconductor | Hardware | United States | 454 | 1.0 |
| BMC Software | Software | United States | 452 | 1.0 |
| Texas Instruments | Hardware | United States | 426 | 1.0 |
| **Top 30 investments** | | | **37,052** | **84.0** |
| Salesforce.com | Software | United States | 424 | 1.0 |
| Perfect World | Software | China | 424 | 1.0 |
| Automatic Data Processing | Support Services | United States | 420 | 1.0 |
| Juniper Networks | Hardware | United States | 407 | 0.9 |
| Research In Motion (Canada registered) | Hardware | Canada | 377 | 0.9 |
| Accenture | Support Services | United States | 370 | 0.8 |
| Analog Devices | Hardware | United States | 365 | 0.8 |
| Itron | Electronics | United States | 344 | 0.8 |
| Linear Technology | Hardware | United States | 321 | 0.7 |
| ASML Holding | Hardware | Netherlands | 317 | 0.7 |
| **Top 40 investments** | | | **40,821** | **92.6** |

## **Investment Portfolio** as at 30 November 2008 continued

| Investment | Sector | Country | Fair Value £'000 | % of Portfolio |
|---|---|---|---|---|
| Taiwan Semiconductor | Hardware | Taiwan | 305 | 0.7 |
| AT&T | Telecommunications | United States | 275 | 0.6 |
| NetApp | Hardware | United States | 244 | 0.6 |
| Lam Research | Hardware | United States | 232 | 0.5 |
| Paychex | Support Services | United States | 229 | 0.5 |
| US Treasury Bill 0% 29/01/09 | Bond | United States | 228 | 0.5 |
| Yahoo | Software | United States | 224 | 0.5 |
| First Solar | Hardware | United States | 200 | 0.5 |
| Dell | Hardware | United States | 190 | 0.4 |
| Shanda Interactive | Leisure Goods | United States | 188 | 0.4 |
| **Top 50 investments** | | | **43,136** | **97.8** |
| US Treasury Bill 0% 15/01/09 | Bond | United States | 179 | 0.4 |
| Taiwan Semiconductor ADS | Hardware | United States | 170 | 0.4 |
| ABB | Electronics | Switzerland | 162 | 0.4 |
| Amazon | General Retailer | United States | 156 | 0.4 |
| Tencent | Software | Hong Kong | 138 | 0.3 |
| Netflix | General Retailer | United States | 87 | 0.2 |
| SAP | Software | United States | 50 | 0.1 |
| Bede | Hardware | United Kingdom | 7 | 0.0 |
| **Total Investments** | | | **44,085** | **100.0** |

* unquoted investment

# **Portfolio Analysis** as at 30 November 2008

| Sector | Valuation £'000 | % of Portfolio |
|---|---|---|
| Hardware | 18,299 | 41.4 |
| Software | 14,406 | 32.6 |
| Bond | 4,316 | 9.8 |
| Media | 1,992 | 4.5 |
| Support Services | 1,962 | 4.5 |
| Leisure Goods | 1,529 | 3.5 |
| Chemicals | 557 | 1.3 |
| Electronics | 506 | 1.2 |
| Telecommunications | 275 | 0.6 |
| General Retailers | 243 | 0.6 |
| | **44,085** | **100.0** |

| Country | Valuation £'000 | % of Portfolio |
|---|---|---|
| United States | 40,931 | 92.7 |
| United Kingdom | 950 | 2.2 |
| Japan | 481 | 1.1 |
| China | 424 | 1.0 |
| Canada | 377 | 0.9 |
| Netherlands | 317 | 0.7 |
| Taiwan | 305 | 0.7 |
| Switzerland | 162 | 0.4 |
| Hong Kong | 138 | 0.3 |
| | **44,085** | **100.0** |

| Portfolio Analysis | Valuation £'000 | % of Portfolio |
|---|---|---|
| Listed on a recognised stock exchange | 39,279 | 89.1 |
| Unquoted | 490 | 1.1 |
| US Treasury Bills | 4,316 | 9.8 |
| | **44,085** | **100.0** |

# **Report of the Directors** incorporating the Business Review

The Directors present their Report which incorporates the Business Review and the audited Financial Statements for the year ended 30 November 2008.

## Business Review

### Business and Status of the Company

The Company carries on business as an Investment Trust and was approved by HM Revenue & Customs as an Investment Trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30 November 2007. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year. The Company is not a close company for taxation purposes.

### Regulatory Environment

The Company is listed on the London Stock Exchange and is subject to UK company law, financial reporting standards, listing, prospectus and disclosure rules, tax law and its own Articles of Association. In addition to annual and half-yearly financial reports and interim management statements, the Company announces net asset values per share on a daily basis and portfolio information on a monthly basis for the information of investors. It provides more detailed information on a monthly basis to the Association of Investment Companies, of which the Company is a member, in order for brokers and investors to compare its performance with its peer group. The Board of Directors is charged with ensuring that the Company complies with its own objectives as well as these rules. The Board has appointed RCM (UK) Limited ('RCM') to carry out investment management, accounting, secretarial and administration services on behalf of the Company. The Company has no employees or premises of its own.

### Investment Objective

The Company invests principally in the equity securities of quoted technology companies on a worldwide basis with the aim of achieving long-term capital growth.

### Performance

The Board is aware that it is its share price performance that is most important to the Company's shareholders. Share price performance is, of course, closely linked to the performance of the Company's net asset value which is the responsibility of the Investment Manager.

The Portfolio comprises investments from a wide geographical and sectoral spectrum. Performance is measured against the Dow Jones World Technology Index (sterling adjusted, calculated on a total return basis) (the 'Benchmark').

Over the year to 30 November 2008, the net asset value per share fell by 27.1%, compared with a fall of 28.4% in the Benchmark.

The Directors also monitor the level of discount of share price to net asset value per share. Over the year to 30 November 2008, the mid-market price of the Company's shares fell by 26.2%, with a discount at the year end of 7.6%. As part of its discount management policy, the Company is prepared to buy back shares, for cancellation or to be held in treasury, at prices representing a discount greater than 7.0% to net asset value, where there is demand in the market for it to do so.

# **Report of the Directors** incorporating the Business Review

The Company's performance may be analysed as follows:

| Regional Selection Performance | Fund Weight (%) | Index Weight (%) | Relative Weight (%) |
|---|---|---|---|
| North America | 84.31 | 72.39 | +11.92 |
| Europe | 6.21 | 10.11 | –3.90 |
| Cash | 3.60 | – | +3.60 |
| Asia Pacific ex Japan | 3.43 | 8.63 | –5.20 |
| Japan | 2.45 | 8.08 | –5.63 |
| Africa/Middle East | – | 0.22 | –0.22 |
| Unassigned | – | 0.57 | –0.57 |
| | **100.0** | **100.0** | **0.0** |

Top and bottom ten contributors to performance over the year to 30 November 2008 were as follows:

| Top ten contributors | Fund Weight (%) | Index Weight (%) | Relative Weight (%) | Contribution (%) |
|---|---|---|---|---|
| Nokia | – | 3.87 | –3.87 | 0.88 |
| Activision | 2.33 | – | 2.33 | 0.80 |
| Comcast | 1.17 | – | 1.17 | 0.42 |
| Apple | 4.24 | 4.79 | –0.55 | 0.40 |
| Motorola | – | 0.75 | –0.75 | 0.30 |
| McAfee | 2.17 | 0.20 | 1.97 | 0.29 |
| Tencent | 1.83 | 0.20 | 1.63 | 0.29 |
| Research In Motion (US registered) | – | 1.77 | –1.77 | 0.27 |
| Data Domain | 1.46 | – | 1.46 | 0.25 |
| Google | 4.17 | 4.29 | –0.12 | 0.24 |
| | | | | **+4.14** |

| Bottom ten contributors | Fund Weight (%) | Index Weight (%) | Relative Weight (%) | Contribution (%) |
|---|---|---|---|---|
| International Business Machines | 3.16 | 5.69 | –2.53 | –0.89 |
| Focus Media | 1.25 | – | 1.25 | –0.81 |
| Riverbed Technologies | 2.03 | – | 2.03 | –0.52 |
| NII Holdings | 0.47 | – | 0.47 | –0.49 |
| Research In Motion (Canada registered) | 2.34 | – | 2.34 | –0.48 |
| On Semiconductor | 1.21 | 0.10 | 1.11 | –0.40 |
| Oracle | 1.94 | 2.98 | –1.04 | –0.38 |
| Electronic Arts | 0.91 | – | 0.91 | –0.25 |
| Foundry Networks | 0.40 | 0.07 | 0.33 | –0.22 |
| Nintendo | 0.98 | – | 0.98 | –0.22 |
| | | | | **–4.66** |

NB: Holdings may appear as both positive and negative contributors due to the same security being registered on different exchanges.

# **Report of the Directors** incorporating the Business Review

**Key Performance Indicators**

The Board assesses its performance in meeting the Company's objective against the following Key Performance Indicators (KPI):

- Net Asset Value per Ordinary Share
- Ordinary Share price
- Premium/Discount of Share price to Net Asset Value
- Total Expense Ratio
- Benchmark and peer group performance

Numerical analysis of the above is on page 4 in the Financial Summary, except for peer group performance which appears in graph form on page 5.

**Principal Risks and Uncertainties**

The Company's assets consist principally of quoted equities: its main area of risk therefore is market-related. The specific key risks faced by the Company, together with the Board's mitigation approach, are as follows:

**Objective and Strategy – The risk that the Company and its Investment Objective become unattractive to investors**

The Board reviews periodically the investment mandate and the long-term investment approach in relation to market and economic conditions, and the operation of the Company's peers, thereby monitoring whether the Company's strategy remains optimal.

**Level of discount/premium – The risk that share price performance lags NAV performance**

The Board undertakes a regular review of the level of discount/premium and consideration is given to ways in which share price performance may be enhanced, including the effectiveness of marketing. The Board has implemented a discount control mechanism which endeavours to establish a maximum level of 7.0% discount of share price to net asset value per share. In the event of shares being re-purchased by the Company, such shares will be cancelled, or held in treasury.

**Market Price Risk**

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding investments in the face of price movements.

The Board meets on at least a quarterly basis during the year. At each meeting the Directors consider the asset allocation of the portfolio in order to monitor the risk associated with particular countries or sectors. The Manager has responsibility for selecting investments in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk-reward profile. The Company does not currently take short positions or otherwise hedge market price risk.

**Foreign Currency Risk – Movements in exchange rates could adversely affect the performance of the investment portfolio**

A significant proportion of the Company's assets are, and will continue to be, invested in securities denominated in foreign currencies, in particular US dollars. As the Company's shares are denominated and trade in sterling, the return to shareholders will be affected by changes in the value of sterling relative to those foreign currencies. The Board has made clear the Company's policy with regard to foreign currency fluctuations which is that it does not currently hedge against currency exposure.

**Interest Rate Risk**

The Company currently finances its operations through its ordinary share capital and reserves, and there are no significant interest bearing liabilities. At the year-end, the Company held £4,316,000 of US Treasury Bills, a liquid security which unlike a bank deposit, provides qualifying income for the purpose of maintaining the Company's investment trust status. This type of investment is directly exposed to movements in its fair value arising from changes in interest rates. These risks are managed alongside market price risk as described above.

**Liquidity Risk – The ability to meet funding requirements when they arise**

The Investment Manager has constructed the investment portfolio so that funds can be raised at short notice if required.

# **Report of the Directors** incorporating the Business Review

**Credit Risk**

The Company's bank balances, debtors and fixed interest investments represent the Company's exposure to credit risk in relation to financial assets. The credit risk on bank balances is considered to be small because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Company has no significant exposure to credit risk.

Numerical analysis of the financial risks is included in Note 19 on pages 40 to 42.

**Portfolio Performance – The risk that investment performance may not be meeting the investment objective or shareholder requirements**

The Board regularly reviews investment performance against the benchmark and against the peer group. The Board also receives ad hoc reports that show an analysis of performance compared with other relevant indices. The Manager provides an explanation of stock selection decisions and an overall rationale for the make-up of the portfolio. The Manager discusses current and potential investment holdings with the Board on a regular basis in addition to new initiatives, which may enhance shareholder return.

**Operational and Regulatory Risk – Compliance with s842, Income and Corporation Taxes Act 1988**

A breach of s842 could lead to the Company being subject to corporation tax on the profits on the sale of its investments, whilst serious breach of other regulatory rules may lead to suspension from the Stock Exchange or to a qualified Audit Report. Other control failures, either by the Manager or any other of the Company's service providers, may result in operational and/or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.

The Manager regularly monitors the Company's compliance with s842 and other financial regulatory requirements, and the results are reported to the Board at each board meeting. All transactions, income and expenditure forecasts are reported to the Board. The Board regularly considers all risks, the measures in place to control them and the possibility of any other risks that could arise. The Board ensures that satisfactory assurances are received from service providers. The Manager's Compliance Officer produces regular reports for review by the Company's Audit Committee and is available to attend meetings in person if required.

**Future Development**

The future development of the Company is dependent on the success of the Company's investment strategy against the background of the economic environment and market developments. The Chairman gives his view on the outlook in his statement on page 6 and the investment managers discuss their view of the outlook for the Company's portfolio on page 7.

**Results and Dividends**

The results attributable to shareholders for the year and the transfer from reserves are shown on page 29. No dividend is proposed in respect of the year ended 30 November 2008 (2007 – Nil).

**Fixed Asset Investments**

The market value of the Company's investments, at 30 November 2008 was £44.1m (2007 – £63.3m) showing an unrealised loss of £6.7m (2007 – unrealised gain of £7.9m) over book cost. Taking these investments at this valuation, the net assets attributable to each Ordinary share amounted to 191.1p at 30 November 2008 (2007 – 262.1p).

**Investment Management Agreement**

The management contract, which is terminable at one year's notice, provides for a management fee of 1.00% per annum payable quarterly in arrears and calculated on the average value of the market capitalisation of the Company at the last business day of each month in the relevant quarter. In addition there is a fee of £50,000 per annum to cover RCM's administration costs. Under the contract RCM provides the Company with investment management, accounting, secretarial and administration services. In addition, the Manager is entitled to a performance fee based on the level of outperformance of the Company's net asset value per share over its benchmark, the Dow Jones World Technology Index (Sterling adjusted Total Return), during the relevant Performance Period. Further details are in Note 2 on page 33.

**Continuing Appointment of the Manager**

During the year, in accordance with the Listing Rules published by the Financial Services Authority, the Board reviewed the performance of the Manager. The review considered the Company's investment performance over both the short and longer terms, together with the quality and adequacy of other services provided. The Board also reviewed the appropriateness of the terms of the Management Agreement, in particular the length of notice period and the management fee structure.

The Board was satisfied with its review and believes that the continuing appointment of the Manager is in the best interests of shareholders as a whole.

# **Report of the Directors** incorporating the Business Review

### Related Party Transactions

During the financial year no transactions with related parties have taken place which would materially affect the financial position or the performance of the Company.

### Directors

The Directors of the Company all served throughout the year and are as follows:

David Quysner (Chairman), John Cornish, Paul Gaunt, Richard Holway and Dr Chris Martin

Information about each Director can be found on page 3. John Cornish and Dr Chris Martin retire by rotation at the Annual General Meeting. Paul Gaunt, who retires annually as a director with more than nine years service, also retires. All three, being eligible, offer themselves for re-election.

### Independence

The Combined Code on Corporate Governance 2006 ('Code') discusses the circumstances under which a director may not be considered to be independent, including if the director holds cross-directorships or has significant links with other directors through involvement in other companies or bodies or has served on the Board for more than nine years from the date of first election. The Code provides however for the Board to state its reasons if it determines that a director is independent notwithstanding the existence of circumstances that may appear to determine otherwise. The revised and updated Code of Corporate Governance and Guide, however, issued by the Association of Investment Companies ('AIC Code') in May 2007, allows the Board more flexibility in respect of the length of service of a director.

The Board subscribes to the AIC principle that long-serving directors should not be prevented from forming part of an independent majority and does not believe that a director's length of tenure reduces his ability to act independently and Paul Gaunt is considered to be independent. David Quysner, John Cornish, Richard Holway and Dr Chris Martin are considered by the Code and the Board to be independent.

In accordance with best practice, notwithstanding the determination by the Board of independence, all Directors with more than nine years service will stand for re-election at the Annual General Meeting each year.

### Board Evaluation

In the past year, the effectiveness and performance of the Board were assessed through questionnaires completed by the Directors and interviews conducted by the Chairman. The Chairman's own performance was evaluated by the other Directors through questionnaires and interviews conducted by the Senior Independent Director. The results of the effectiveness assessment and performance evaluations have been presented to the Board as a whole. As a result, the Board considers that all of the Directors contribute effectively and that all have skills and experience that are relevant to the leadership and direction of the Company.

Having given careful consideration to the above, the Board unanimously supports the re-election of Paul Gaunt, John Cornish and Dr Chris Martin.

### Directors' Interests

The beneficial interests of the Directors and their families in the Company were as set out below:

| | Subscription Shares of 1p each | | Ordinary shares of 25p each | |
|---|---|---|---|---|
| | 30 November 2008 | 30 November 2007 | 30 November 2008 | 30 November 2007 |
| David Quysner | 1,118 | 1,118 | 5,592 | 5,592 |
| John Cornish | 700 | 700 | 3,500 | 3,500 |
| Richard Holway | 2,000 | 2,000 | 15,000 | 10,000 |
| Paul Gaunt | – | – | – | – |
| Dr Chris Martin | 624 | 624 | 3,122 | 3,122 |
| Anthony Townsend* | – | 41,293 | – | 206,465 |

*retired from the Board on 9 April 2008

There have been no further changes in the above holdings from the year end to the date of this report.

# **Report of the Directors** incorporating the Business Review

**Directors' Fees**

A report on Directors' Remuneration is set out on pages 24 and 25.

**Section 992 of the Companies Act 2006**

The following disclosures are made in accordance with Section 922 of the Companies Act 2006.

Capital Structure

The Company's capital structure is set out in Note 10 on page 37.

Voting Rights in the Company's Shares

As at 20 February 2009 RCM Technology Trust PLC's capital consisted of:

| | Number of shares issued | Voting rights per share | Total voting rights |
|---|---|---|---|
| Ordinary Shares of 25p | 23,328,849 | 1 | 23,328,849 |
| Ordinary Shares of 25p held in Treasury | 208,400 | 0 | 0 |
| Subscription Shares of 1p each | 4,765,631 | 0 | 0 |
| **Total** | **28,302,880** | | **23,328,849** |

Interests in the Company's Share Capital

As at 20 February 2009 the following had declared a notifiable interest in the Company's issued share capital:

| | Number of shares | Percentage of voting rights |
|---|---|---|
| Lazard Asset Management LLP | 4,031,920 | 17.3 |
| JP Morgan Chase & Co | 2,440,000 | 10.46 |
| East Riding of Yorkshire Council | 2,525,000 | 10.8 |
| Investec Asset Management | 1,225,000 | 5.3 |

**Repurchase of Shares**

At the Annual General Meeting held on 9 April 2008, authority was granted for the repurchase of up to 3,536,187 Ordinary shares of 25p each, representing 14.99% of the issued share capital at the time. The Board has in place a discretionary discount protection mechanism at a minimum level of 7% discount to net asset value, and in the year under review the Company repurchased for cancellation 328,000 shares at a cost of £759,024 and repurchased 30,000 shares to be held in treasury at a cost of £64,650. Since the year end and to the date of this report, the Company has repurchased a further 178,400 shares to be held in treasury at an aggregate cost of £326,002. From the beginning of the financial year under review up to the date of this report the shares bought back equate to a total of 2.25% of the issued share capital at the beginning of the year.

**Creditors' Payment Policy**

Terms of payment are negotiated with suppliers when agreeing settlement details for transactions. While the Company does not follow a formal code, it is the Company's continuing policy to pay amounts due to creditors as and when they become due.

**Charitable and Political Donations**

The Company has not in the past and does not intend in future to make any charitable or political donations.

**Independent Auditors**

Grant Thornton UK LLP have expressed their willingness to continue to act as Auditors to the Company and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

# **Report of the Directors** incorporating the Business Review

### Audit Information

Pursuant to Section 418 (2) of the Companies Act 2006, each of the Directors at the date of the approval of this report confirms (a) that so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and (b) that the director has taken all steps he ought to have taken to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

### Going Concern

The Directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of securities that are readily realisable and, accordingly the Company has adequate financial resources to continue in operational existence for the foreseeable future.

### Corporate Governance

A formal statement on Corporate Governance and the Company's compliance with the various codes of practice is set out on pages 20 to 23.

### Annual General Meeting

The formal Notice of Annual General Meeting is set out on pages 46 to 48.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting:

### 1 Authority to allot shares

A resolution authorising the Directors to allot new share capital for cash was passed at the Annual General Meeting of the Company on 9 April 2008. The current authority will expire on 30 March 2009.

Approval is therefore sought in Resolution 8 for the renewal of the Directors authority to allot new shares, otherwise than by a pro rata issue to existing shareholders, up to an aggregate nominal amount of £583,221 representing 2,332,884 Ordinary Shares of 25p each, such amount being equivalent to 10% of the present issued share capital. As such issues would only be made at prices greater than the fully diluted net asset value per share ('NAV') they increase the assets underlying each share and spread administrative expenses, other than those charged as a percentage of assets, over a greater number of shares. If passed, this authority will remain in place until the conclusion of the next Annual General Meeting.

### 2 Disapplication of pre-emption rights

A resolution authorising the Directors to disapply pre-emption rights was passed at the Annual General Meeting of the Company on 9 April 2008. The current authority will expire on 30 March 2009.

Approval is therefore sought in Resolution 9 for the renewal of the authority to disapply pre-emption rights in respect of a) the allotment of shares or the sale by the Company of shares held by it as Treasury Shares, following the introduction of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, pursuant to a rights issue or a sale equivalent to a rights issue, b) the allotment (other than as part of a rights issue) of shares or the sale of Treasury Shares for cash up to an aggregate nominal value of £583,221. No such allotment will be made at less than the NAV per share (as determined in the absolute discretion of the Directors). However, Treasury Shares may be resold by the Company at a discount to such NAV provided that such shares are resold by the Company at a lower discount to the NAV than the discount at which they were repurchased by the Company.

### 3 Continuation of share buy back programme

As referred to in the Chairman's Statement, the Board is proposing the renewal of the Company's authority to make market purchases of Ordinary Shares and/or Subscription Shares, either for cancellation or for holding in treasury. The Board believes that such purchases in the market at appropriate times and prices may be a suitable method of enhancing shareholder value. The Company would make either a single purchase or a series of purchases, when market conditions are suitable, with the aim of maximising the benefits to shareholders and within guidelines set from time to time by the Board.

Where purchases are made at prices below the prevailing net asset value, this enhances the net asset value for the remaining shareholders. It is therefore intended that purchases will only be made at prices below net asset value, with the purchases to be funded from the realised capital profits of the Company (which are currently in excess of £25 million – including unrealised capital reserves). The rules of the UK Listing Authority limit the price which may be paid by the Company to 105% of the average middle-market quotation for an Ordinary Share or Subscription Share on the 5 business days immediately preceding the date of the relevant purchase. The minimum price to be paid will be 25p

## **Report of the Directors** incorporating the Business Review

per Ordinary Share or 1p per Subscription Share (being the respective nominal values). Additionally, the Board believes that the Company's ability to purchase its own shares may assist liquidity in the market. Overall these share buy back proposals should help to reduce the discount to net asset value at which the Company's shares currently trade.

The Company's Articles of Association permit the Company to redeem or purchase its own shares out of capital profits. Under the Financial Services Authority Listing Rules, a company is permitted to purchase up to 14.99% of its equity share capital through market purchases pursuant to a general authority granted by shareholders in general meeting.

The current authorities which permit the Company to purchase up to 14.99% of the Ordinary or Subscription issued share capital, expire at the conclusion of the forthcoming Annual General Meeting. Accordingly, resolutions 10 and 11 will be proposed as Special Resolutions at the AGM. The authority to make market purchases of up to 14.99% of the Company's issued Ordinary and Subscription Share capital is equivalent to 3,496,994 Ordinary Shares and 714,368 Subscription Shares provided there is no change in the respective issued share capital between the date of this Report and the Annual General Meeting to be held on 30 March 2009.

The authorities being sought under resolutions 8, 9, 10 and 11 will last until the conclusion of the next Annual General Meeting or, if less, a period of 15 months.

The Directors consider that the resolutions relating to the above items of special business are in the best interests of shareholders as a whole. Accordingly, the Directors unanimously recommend to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming Annual General Meeting, as they intend to do in respect of their respective holdings of Ordinary Shares.

By Order of the Board
**K. J. Salt** | Secretary
20 February 2009

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Financial Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the total return of the Company for that year. In preparing these 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; 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 confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The financial statements are published on www.rcmtechnologytrust.co.uk, which is the website maintained by the Investment Manager, RCM (UK) Limited. The work undertaken by the Auditors does not involve consideration of the maintenance and integrity of the website and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area.

**Statement under Disclosure and Transparency Rule 4.1.12**

The Directors each confirm to the best of their knowledge that:

a) the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

b) this Annual Financial Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

**David Quysner** | Chairman
20 February 2009

# Corporate Governance Statement

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide, will provide better information to shareholders. The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except in relation to the Combined Code provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers these provisions are not relevant to the Company as it is an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

## The Board

The Board currently consists of five members, all of whom are non-executive. The Directors' biographical details, set out on page 3, demonstrate a breadth of investment, commercial and professional experience.

The Board is responsible for efficient and effective leadership of the Company and has reviewed the schedule of matters reserved for its decision. The Board meets at least on a quarterly basis and at other times as necessary. The Board is responsible for the important aspects of the Company's affairs, including the setting of parameters for and the monitoring of investment strategy, the review of investment performance (including peer group performance) and investment policy. It also has responsibility for all corporate strategic issues, dividend policy, share buy-back policy, gearing, share price and discount / premium monitoring and corporate governance matters.

In order to enable them to discharge their responsibilities, prior to each meeting Directors are provided, in a timely manner, with a comprehensive set of papers giving detailed information on the Company's transactions, financial position and performance. Representatives of the Manager attend each Board meeting, enabling the Directors to seek clarification on specific issues or to probe further on matters of concern; a full report is received from the Manager at each quarterly meeting. In the light of these reports, the Board gives direction to the Manager with regard to investment objectives and guidelines. Within these established guidelines, the Manager takes decisions as to the purchase and sale of individual investments.

The following table sets out the number of scheduled Directors' meetings (including committee meetings) held and attended during the year under review.

| Type and number of meetings held in 2007/8: | Board (4) | Audit Committee (2) | Management Engagement Committee (1) |
|---|---|---|---|
| David Quysner# | 4 | 2 | 1 |
| John Cornish | 4 | 2 | 1 |
| Paul Gaunt | 4 | 2 | 1 |
| Richard Holway | 4 | 2 | 1 |
| Dr Chris Martin | 4 | 2 | 1 |
| Anthony Townsend* | 1 | 0 | 0 |

# David Quysner, Chairman of the Company, is not a member of the Audit Committee but may attend meetings by invitation.

* Anthony Townsend retired from the Board on 9 April 2008.

The Directors believe that, at present, the composition of the Board demonstrates a breadth of investment, commercial and professional experience.

# Corporate Governance Statement

The Board is of the view that length of service does not itself impair a director's ability to benefit the Company as their long term perspective can add significant value to a well-balanced investment company board. No limit in the overall length of service of any of the Company's Directors, including the Chairman, has therefore been imposed.

The Board regularly reviews the independence of its members, and, as explained in the Directors' report on page 15, the Board considers all the Directors to be independent. The Board subscribes to the AIC Code principle that long-serving Directors should not be prevented from forming part of an independent majority and does not believe that a Director's length of tenure reduces his/her ability to act independently. Nevertheless, the AIC Code requires that Directors who have served for more than nine years should be re-appointed by shareholders annually. Accordingly, Paul Gaunt will retire as a Director at the forthcoming Annual General Meeting. Paul Gaunt is offering himself for re-election at the forthcoming AGM. In the opinion of the Board, Paul Gaunt remains independent in character and judgement and there are no relationships or circumstances relating to the Company that are likely to affect his judgement.

## Chairman and Senior Independent Director

David Quysner was appointed Chairman of the Company on 28 April 2004.

The Senior Independent Director is John Cornish, who provides a channel for referral of any shareholder concerns.

## Tenure Policy

None of the Directors has a service contract with the Company. New directors are appointed with the expectation that they will serve for a period of three years. Directors' appointments are reviewed formally every three years by the Board. Any Director may resign by notice in writing to the Board at any time. There are no set notice periods. No compensation is payable on leaving office.

The Articles of Association provide that one-third of the directors must retire by rotation and may offer themselves for re-election at each Annual General Meeting. The terms of the Directors' appointment also provide that a Director shall retire and be subject to election at the first Annual General Meeting after appointment and at least every three years thereafter.

## Director Training

When a Director is appointed he or she is offered an induction briefing, which is organised by the Manager. Directors are also provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise.

## Board Appraisal

The Board carried out an evaluation during the year, as set out in the Directors' Report on page 15. As a result of the evaluation the Board considers that all the current Directors contribute effectively and that all have skills and experience that are relevant to the leadership and direction of the Company.

## Directors' and Officers' Liability Insurance

Directors' and Officers' Liability Insurance cover is provided at the expense of the Company.

## Board Committees

In line with the AIC Code, the Board has disbanded the Nomination and Remuneration Committees in favour of the full Board adopting the responsibilities of such committees. The Audit and Management Engagement Committees continue in operation and copies of the full Terms of Reference, which clearly define the responsibilities of each Committee, can be obtained from the Company Secretary, will be available at the AGM and can be found on the website www.rcmtechnologytrust.co.uk. The Audit Committee is chaired by John Cornish while the Management Engagement Committee is chaired by the Chairman of the Company, David Quysner, with the exception of matters concerning the role of the Chairman which are presided over by another Director.

## Audit Committee

The Company's Audit Committee meets at least twice per year, is chaired by John Cornish, and comprises all independent Directors (namely John Cornish, Paul Gaunt, Richard Holway and Dr Chris Martin) and, by invitation, the Chairman of the Company and any non-independent Directors. The Board is satisfied that at least one member of the Committee has recent and relevant financial experience. The Audit Committee is responsible for the review of the annual financial report and the half yearly financial report, the nature and scope of the external audit and the findings therefrom and the terms of appointment of the auditors, including their remuneration and the provision of any non-audit services by them. The Audit Committee meets representatives of the Manager and its Compliance Officer who report as to the proper conduct of business in accordance with the regulatory environment in which both the Company and the Manager operate. The Company's external Auditors also attend this Committee at its request and report on their work procedures, the quality and effectiveness of the Company's accounting records

# Corporate Governance Statement

and their findings in relation to the Company's statutory audit. The Audit Committee reviews the need for non-audit services and authorises such on a case-by-case basis, having regard to the cost effectiveness of the services and the independence and objectivity of the auditors.

As the Company has no employees it does not have a formal policy concerning the raising, in confidence, of any concerns about possible improprieties, whether in matters of financial reporting or otherwise, for appropriate independent investigation. The Audit Committee has, however, reviewed and noted the Manager's policy on this matter.

## Management Engagement Committee

The Management Engagement Committee meets at least once per year under the Chairmanship of David Quysner, and is composed of the independent Directors (namely David Quysner, John Cornish, Paul Gaunt, Richard Holway and Dr Chris Martin). The Management Engagement Committee is responsible for the regular review of the terms of the contracts with the Manager and for making recommendations to the Board in respect of such contracts.

## Internal Control

The Directors are responsible for overseeing the effectiveness of the internal control systems for the Company, which are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which is issued for publication is reliable, and that the assets of the Company are safeguarded. Such a system of internal control is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Directors, through the procedures outlined above, have kept the effectiveness of the Company's internal controls under review throughout the year covered by these financial statements and up to the date of approval of the Annual Financial Report. The Board has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as areas for the extended review.

The Board recognises its ultimate responsibilities for the Company's system of internal controls and for monitoring its effectiveness. The Manager has established an internal control framework to provide reasonable assurance on the effectiveness of the internal controls operated on behalf of its clients. The Manager's compliance and risk department on an ongoing basis assesses the effectiveness of the internal controls. The Manager provides the Board with regular reports on all aspects of internal control (including financial, operational and compliance control, risk management and relationships with external service providers). Business risks have been analysed and recorded in a Risk Map, which is reviewed by the Audit Committee and at other times as necessary. It is believed that an appropriate framework is in place to meet the requirements of the AIC Code.

The Manager, at least on a quarterly basis, reports to the Board on the market and investment performance of the Company's portfolio. Further information is contained in the Chairman's Statement, the Report of the Directors and the Investment Manager's Review.

## Matters Reserved for the Board

There is a formal schedule of matters reserved for the decision of the Board and there is an agreed procedure for Directors, in the furtherance of their duties, to take independent professional advice if necessary at the Company's expense.

The specific areas reserved for the Board include final approval of statutory Companies Act requirements including the payment of any dividend and allotment of shares; matters of a Stock Exchange or Internal Control nature such as approval of shareholder statutory documentation, performance reviews and Director independence; and in particular matters of a strategic or management nature, such as the Company's long term objectives and commercial strategy, the appointment or removal of the Manager, Investment Policy, changes to the Company structure, unquoted investment valuations and final approval of borrowing requirements and limits.

## Conflicts of Interest

The Companies Act 2006 sets out directors' general duties with some changes from the previously existing law. A director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. Since 1 October 2008, directors are able to authorise these conflicts and potential conflicts if their company's articles of association allow it. At the Annual General Meeting last year, shareholders approved changes to the Articles of Association that permit the Directors of the Company to deal with and authorise conflicts or potential conflicts of interest. The Board intends to report annually on the Company's procedures for ensuring that its powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

Each of the Directors has provided a statement of all conflicts of interest and potential conflicts of interest relating to the Company. These statements have been considered and approved by the Board. The Directors have undertaken to notify the Chairman and Company Secretary of any proposed new appointments and new conflicts or potential conflicts for consideration, if necessary, by the Board. The Board has agreed that only Directors who have no interest in the matter being considered will be able to take the relevant decision and that in taking the decision the

# Corporate Governance Statement

Directors will act in a way they consider, in good faith, will be most likely to promote the Company's success. The Board is able to impose limits or conditions when giving authorisation if it thinks this is appropriate.

The Board confirms that its powers of authorisation are operating effectively and that the agreed procedures have been followed.

## Relations with Shareholders

The Company has regular contact with its institutional shareholders particularly through the Manager. The Chairman is also available to meet institutional shareholders from time to time. The Board supports the principle that the Annual General Meeting be used to communicate with private investors. The full Board attends the Annual General Meeting and the Chairman of the Board chairs the Annual General Meeting. Details of the proxy votes received in respect of each resolution are made available to shareholders at the meeting. The Investment Manager attends to give a presentation to the meeting.

## Accountability and Audit

The Directors' statement of responsibilities in respect of the financial statements is set out on page 19. The report of the auditors is set out on pages 26 and 27. The Board has delegated contractually to external agencies, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day to day accounting, company secretarial and administration requirements and the registration services.

Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation insofar as they relate to the affairs of the Company. The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required.

## Exercise of Voting Powers

The Company's investments are held in a nominee name. The Board has delegated discretion to discharge its responsibilities in respect of investments, including the exercise of voting powers on its behalf, to the Manager.

The Board has noted the Manager's statement of its corporate governance aims and objectives, summarised as:

> "Our primary corporate aim is to maximise shareholder value through the securing of corporate performance whilst protecting this value through operating within established rules of conformance.
>
> Our primary investment management aim is to meet or exceed our clients' expectations through generating first class returns within the constraint of their risk tolerance.
>
> RCM votes in all markets wherever possible, and strives actively to encourage both improved levels of disclosure among companies and proper voting infrastructure among custodians and agents globally."

In the UK, RCM is a member of the National Association of Pension Funds ('NAPF') and the International Corporate Governance Network ('ICGN') and abides by these organisations' founding principles. These take into account international codes of corporate governance from a number of sources, including Employee Retirement Income Security Act ('ERISA') legislation and Department of Labor recommendations in the U.S. where appropriate.

## Corporate Social Responsibility

The Board has noted the Manager's views on Corporate Social Responsibility that it adheres to in engaging with the underlying investee companies and in exercising its delegated responsibilities in voting. These are that:

"We believe that good corporate governance includes the management of the company's impact on society and the environment, as these are increasingly becoming a factor in contributing towards maximising long term shareholder value."

## Environmental and Ethical Policy

The Company's primary objective is to invest principally in the equity securities of quoted technology companies on a worldwide basis with the aim of achieving long-term capital growth. The Directors believe that the Company would be in breach of its fiduciary duties to shareholders if investment decisions were based solely on ethical or environmental considerations. The Investment Manager takes account, in general terms, of ethical and environmental considerations as a part of its investment evaluations.

## Annual General Meeting

The Board welcomes all shareholders to the Annual General Meeting at which the investment manager presents his review of the year and prospects for the future. All directors are present at the AGM to meet and talk with shareholders. Additionally, shareholders wishing to communicate directly with the Board may make contact via the Manager or Company Secretary, details of whom can be found on page 43.

# Directors' Remuneration Report

The Board has prepared this report in accordance with the Companies Act 1985, Schedule 7A for the year ended 30 November 2008. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires your Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are noted as such. The Auditors' opinion is included in their report on page 27.

## Remuneration Committee

The Company currently has five non-executive Directors, all of whom are considered by the Board to be independent. The whole Board fulfils the function of a Remuneration Committee. The Board has appointed the Company Secretary to provide advice when the Directors consider the level of Directors' fees.

## Policy on Directors' Fees

The Board's policy is that the remuneration of non-executive Directors should reflect the responsibilities and experience of the Board as a whole, be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure (Ordinary Shares), and have a similar investment objective (technology companies). It is intended that this policy will continue for the year ending 30 November 2009 and subsequent years.

The Company's policy is for the Directors to be remunerated in the form of fees payable monthly or quarterly in arrears, paid to the Director personally or to a specified third party.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association, the maximum aggregate amount currently being £150,000. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. The total aggregate amount paid to Directors during the year ended 30 November 2008 was £97,746.

The Board has not received independent advice or services in respect of its consideration of the Directors' remuneration. The policy is to review directors' fee rates from time to time, but reviews will not necessarily result in a change to the rates. In the year under review the directors were paid as follows: Chairman £25,000 pa, Senior Independent Director/Chairman of Audit Committee £19,000 pa, Directors £16,000 pa. These rates were established in 2007.

Directors' and Officers' Liability Insurance cover is held by the Company. As permitted by the Company's Articles of Association, the Board has granted individual indemnities to the Directors.

## Directors' Service Contracts

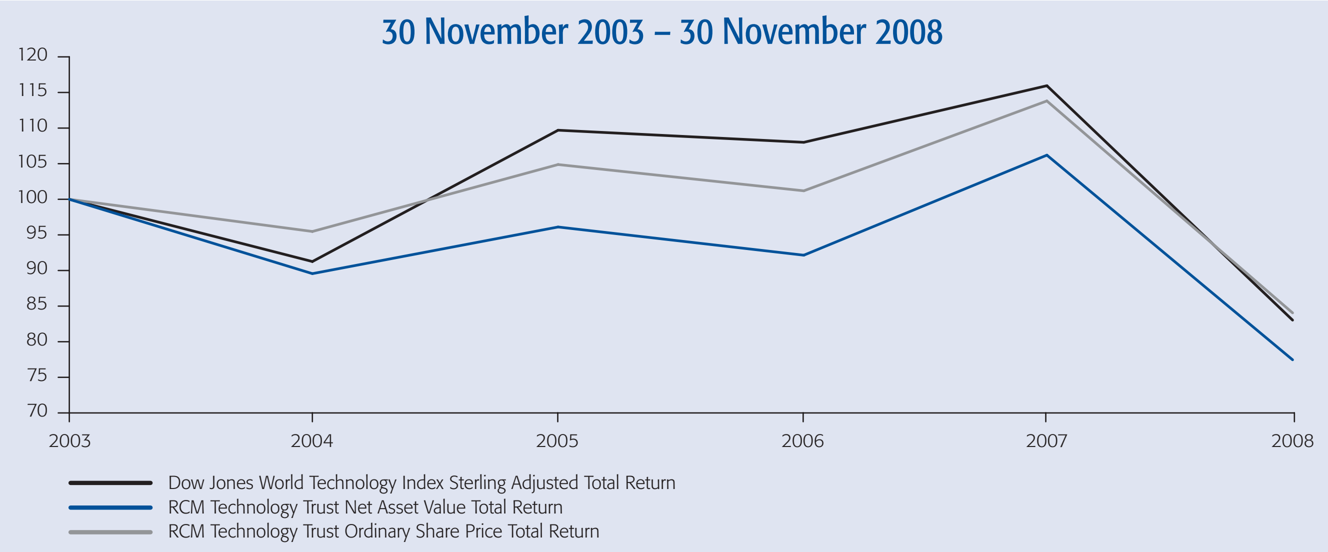
It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that Directors shall retire and be subject to re-election at the first annual general meeting after their appointment, and at least every three years thereafter. The terms also provide that a Director may resign by notice in writing to the Board at any time and may be removed without notice and that compensation will not be due on leaving office.

## Your Company's Performance

The Regulations require a line graph to be included in the Directors' Remuneration Report showing total shareholder return for each of the financial years in the relevant period (maximum of 5 years). The graph set out on page 25 compares, on a cumulative basis, the total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total shareholder return on a notional investment made up of shares of the same kind and number as those by reference to which the Company's Benchmark is calculated.

# Directors' Remuneration Report

## Total Shareholder Return for the five years to 30 November 2008




Figures have been rebased to 100 as at 30 November 2003
Source: RCM/Datastream

## Directors' Emoluments for the Year (audited)

The Directors who served in the year received the following emoluments in the form of fees:

| | Fees 2008 £ | Fees 2007 £ |
|---|---|---|
| David Quysner | 25,000 | 25,000 |
| John Cornish | 19,000 | 19,000 |
| Paul Gaunt | 16,000 | 16,000 |
| Richard Holway | 16,000 | 13,333 |
| Dr Chris Martin | 16,000 | 16,000 |
| Anthony Townsend* | 5,746 | 16,000 |
| | **97,746** | **105,333** |

* Retired from the Board on 9 April 2008.

No payments of Directors' fees were made to third parties.

## Approval

The Directors' Remuneration Report on pages 24 and 25 was approved by the Board of Directors on 20 February 2009 and signed on its behalf by David Quysner (Chairman).

# **Independent Auditors' Report** to the Shareholders of RCM Technology Trust PLC

We have audited the financial statements of RCM Technology Trust PLC for the year ended 30 November 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and Notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Financial Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' Responsibilities, in the Report of the Directors.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Financial Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Company Summary, the Board, the Financial Summary, Six Year Performance Summary and Performance Graphs, the Chairman's Statement, the Investment Manager's Review, Investment Portfolio, the Portfolio Analysis, the Report of the Directors, the Statement of Directors' Responsibility, the Corporate Governance Statement, the unaudited part of the Directors' Remuneration Report, Directors, Manager, Advisers and Contact Details, Investor Information and Notice of Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and the part of the Directors' Remuneration Report to be audited. 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

# **Independent Auditors' Report** to the Shareholders of RCM Technology Trust PLC

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 30 November 2008 and of its return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Grant Thornton UK LLP | Chartered Accountants and Registered Auditors
London, England
20 February 2009

# **Income Statement** for the year ended 30 November 2008

| | Notes | 2008 Revenue £ | 2008 Capital £ | 2008 Total Return £ | 2007 Revenue £ | 2007 Capital £ | 2007 Total Return £ |
|---|---|---|---|---|---|---|---|
| Net (losses) gains on investments at fair value | 8 | – | (16,472,167) | (16,472,167) | – | 10,644,559 | 10,644,559 |
| Net gains (losses) on foreign currencies | | – | 158,446 | 158,446 | – | (6,008) | (6,008) |
| Income | 1 | 479,513 | – | 479,513 | 327,434 | – | 327,434 |
| Investment management fee | 2 | (561,457) | – | (561,457) | (659,190) | – | (659,190) |
| Performance fee | 2 | – | – | – | – | (1,156,744) | (1,156,744) |
| Administration expenses | 3 | (358,459) | – | (358,459) | (849,722) | – | (849,722) |
| **Net return before finance costs and taxation** | | **(440,403)** | **(16,313,721)** | **(16,754,124)** | **(1,181,478)** | **9,481,807** | **8,300,329** |
| Finance costs: interest payable and similar charges | 4 | (5,362) | – | (5,362) | (16,348) | – | (16,348) |
| **Net return on ordinary activities before taxation** | | **(445,765)** | **(16,313,721)** | **(16,759,486)** | **(1,197,826)** | **9,481,807** | **8,283,981** |
| Taxation | 5 | (49,897) | – | (49,897) | (30,281) | – | (30,281) |
| **Net return on ordinary activities attributable to Ordinary Shareholders** | | **(495,662)** | **(16,313,721)** | **(16,809,383)** | **(1,228,107)** | **9,481,807** | **8,253,700** |
| **Return per Ordinary Share** (basic and diluted) | 7 | **(2.10p)** | **(69.08p)** | **(71.18p)** | **(5.12p)** | **39.55p** | **34.43p** |

The total return column of this statement is the profit and loss account of the Company.

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

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

The Notes on pages 32 to 42 form an integral part of these Financial Statements.

# Reconciliation of Movements in Shareholders' Funds
for the year ended 30 November 2008

| | Called up Share Capital £ | Share Premium Account £ | Capital Redemption Reserve £ | Capital Reserve Realised £ | Capital Reserve Unrealised £ | Revenue Reserve £ | Total £ |
|---|---|---|---|---|---|---|---|
| Net Assets at 30 November 2006 | 6,070,078 | 23,487,570 | 833,750 | 45,335,062 | (10,835,717) | (9,667,000) | 55,223,743 |
| Revenue Return | – | – | – | – | – | (1,228,107) | (1,228,107) |
| Shares repurchased during the year | (105,000) | – | 105,000 | (936,624) | – | – | (936,624) |
| Issue of Subscription Shares | 47,706 | (47,706) | – | – | – | – | – |
| Capital Return | – | – | – | (9,233,104) | 18,714,911 | – | 9,481,807 |
| **Net Assets at 30 November 2007** | **6,012,784** | **23,439,864** | **938,750** | **35,165,334** | **7,879,194** | **(10,895,107)** | **62,540,819** |
| | | | | | | | |
| Net Assets at 30 November 2007 | 6,012,784 | 23,439,864 | 938,750 | 35,165,334 | 7,879,194 | (10,895,107) | 62,540,819 |
| Revenue Return | – | – | – | – | – | (495,662) | (495,662) |
| Shares repurchased during the year | (82,000) | – | 82,000 | (823,674) | – | – | (823,674) |
| Conversion of Subscription Shares | 1,184 | 11,997 | – | – | – | – | 13,181 |
| Capital Return | – | – | – | (1,860,300) | (14,453,421) | – | (16,313,721) |
| **Net Assets at 30 November 2008** | **5,931,968** | **23,451,861** | **1,020,750** | **32,481,360** | **(6,574,227)** | **(11,390,769)** | **44,920,943** |

The Notes on pages 32 to 42 form an integral part of these Financial Statements.

# **Balance Sheet** as at 30 November 2008

| | Notes | 2008 £ | 2008 £ | 2007 £ |
|---|---|---|---|---|
| **Fixed Assets** | | | | |
| Investments held at fair value through profit or loss | 8 | | 44,085,478 | 63,349,493 |
| **Current Assets** | | | | |
| Debtors | 9 | 85,545 | | 1,091,324 |
| Cash at bank | 9 | 1,153,333 | | 865,719 |
| | | **1,238,878** | | **1,957,043** |
| **Creditors** | | | | |
| Amounts falling due within one year | 9 | (403,413) | | (2,765,717) |
| **Net Current Assets (Liabilities)** | | | **835,465** | **(808,674)** |
| **Total Net Assets** | | | **44,920,943** | **62,540,819** |
| **Capital and Reserves** | | | | |
| Called up Share Capital | 10 | | 5,931,968 | 6,012,784 |
| Share Premium Account | 11 | | 23,451,861 | 23,439,864 |
| Capital Redemption Reserve | 12 | | 1,020,750 | 938,750 |
| Capital Reserves: Realised | 13 | 32,481,360 | | 35,165,334 |
| Unrealised | 13 | (6,574,227) | | 7,879,194 |
| | | | **25,907,133** | **43,044,528** |
| Revenue Reserve | 14 | | (11,390,769) | (10,895,107) |
| **Equity Shareholders' Funds** | | | **44,920,943** | **62,540,819** |
| **Net Asset Value per Ordinary Share** | 15 | | **191.1p** | **262.1p** |

The financial statements on pages 28 to 42 were approved by the Board of Directors on 20 February 2009 and were signed on its behalf by:

**David Quysner** | Chairman

The Notes on pages 32 to 42 form an integral part of these Financial Statements.

# **Cash Flow Statement** for the year ended 30 November 2008

| | Notes | 2008 £ | 2008 £ | 2007 £ |
|---|---|---|---|---|
| **Net cash outflow from operating activities** | 17 | | (1,894,279) | (1,056,948) |
| **Return on investment and servicing of finance** | | | | |
| Interest paid | | | (5,362) | (16,348) |
| **Capital expenditure and financial investment** | | | | |
| Purchase of fixed asset investments | | (173,839,231) | | (154,139,950) |
| Sale of fixed asset investments | | 176,801,003 | | 156,337,694 |
| **Net cash inflow from capital expenditure and financial investment** | | | **2,961,772** | **2,197,744** |
| **Net cash inflow before financing** | | | **1,062,131** | **1,124,448** |
| **Financing** | | | | |
| Purchase of Ordinary shares for cancellation and for holding in treasury | | (823,149) | | (936,624) |
| Conversion of Subscription shares to Ordinary shares | | 13,181 | | – |
| **Net cash outflow from financing** | | | **(809,968)** | **(936,624)** |
| **Increase in cash** | 18 | | **252,163** | **187,824** |

The Notes on pages 32 to 42 form an integral part of these Financial Statements.

# **Statement of Accounting Policies** for the year ended 30 November 2008

1. The financial statements have been prepared on the historical cost basis, except for the measurement at fair value of investments and in accordance with the United Kingdom law, United Kingdom Generally Accepted Accounting Principles (UK GAAP) and the Statement of Recommended Practice – Financial Statements of Investment Trust Companies' (SORP) issued December 2005 by the Association of Investment Companies.

2. Revenue – Dividends on equity shares are accounted for on an ex-dividend basis. UK dividends are shown net of tax credits and foreign dividends are grossed up at the appropriate rate of withholding tax. Income on debt securities is recognised on an effective yield basis which takes account of any discounts or premiums arising on the purchase price, compared to final maturity over the remaining life of the security.

   Special dividends are recognised on an ex-dividend basis and treated as a capital or revenue item depending on the facts and circumstances of each dividend.

   Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the equivalent of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

   Deposit interest receivable is accounted for on an accruals basis. Underwriting commission is recognised when the issue underwritten closes.

3. Investment management fee and administration expenses – The investment management fee is calculated on the basis set out in Note 2 to the financial statements and is charged in full to revenue as permitted by the SORP. Performance fees are charged in full to capital, in accordance with the Board's expectation of where the Company's long term growth will arise. Other administrative expenses are charged in full to revenue. All expenses are recognised on an accruals basis.

4. Valuation – As the Company's business is investing in financial assets with a view to profiting from their total return in the form of increases in fair value, investments are designated as fair value through profit or loss on initial recognition in accordance with FRS 26 'Financial Instruments: Recognition and Measurement'. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the investments is provided on this basis to the Board of Directors.

   Investments held at fair value through profit or loss are initially recognised at fair value. After initial recognition, these continue to be measured at fair value, which for quoted investments is either the bid price of the last traded price depending on the convention of the exchange on which the investment is listed. Gains or losses on investments are recognised in the capital column of the Income Statement.

   Unlisted investments are valued by the Directors based upon latest dealing prices, stockbrokers' valuations, net asset values, earnings and other known accounting information in accordance with the principles set out by the British Venture Capital and Private Equity Association Valuation Guidelines issued in March 2005.

   An unrealised Capital Reserve has been established to reflect differences between fair value and book cost. Net gains or losses arising on realisation of investments are taken directly to the Realised Capital Reserve.

5. Finance costs – The finance costs of borrowings are charged to revenue and accounted for on an accruals basis.

6. Taxation – Where expenses are allocated between capital and revenue, any tax relief obtained in respect of those expenses is allocated between capital and revenue on the marginal basis and the Company's effective rate of tax for the accounting period.

   A deferred tax asset is recognised when it is more likely than not that the asset will be recoverable. Deferred tax is measured on a non-discounted basis at the rate of Corporation tax that is expected to apply when the timing differences are expected to reverse.

7. Shares repurchased for cancellation and holding in treasury – For shares repurchased for cancellation, Share Capital is reduced by the nominal value of the shares repurchased, and the Capital Redemption Reserve is correspondingly increased in accordance with Section 170 Companies Act 1985. The full cost of shares repurchased for cancellation is charged to the Realised Capital Reserve in accordance with the Company's Articles of Association.

   For shares repurchased for holding in treasury, the full cost is charged to the Realised Capital Reserve in accordance with the Company's Articles of Association.

8. Conversion of Subscription Shares into Ordinary Shares – Called up Share Capital is decreased by the nominal value of the Subscription Shares and increased by the nominal value of the Ordinary Shares. The premium in excess of the nominal value of Ordinary Shares is taken to the Share Premium Account.

9. Foreign Currency – In accordance with FRS 23 'The effect of Changes in Foreign Currency Exchange Rates', the Company is required to nominate a functional currency, being the currency in which the Company predominately operates. The functional and reporting currency is pounds sterling. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling on the date of the transaction. Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Profit and losses on foreign currencies held, whether realised or unrealised, are taken directly to Capital Reserves, via the capital column of the Income Statement.

# **Notes to the Financial Statements** for the year ended 30 November 2008

## 1. Income

| | 2008 £ | 2007 £ |
|---|---|---|
| **Income from Investments** | | |
| Equity income from UK investments | 6,347 | 16,865 |
| Equity income from overseas investments | 344,256 | 215,443 |
| Income from fixed interest investments | 122,269 | 63,212 |
| | **472,872** | **295,520** |
| **Other Income** | | |
| Deposit interest | 3,030 | 31,914 |
| Other income | 3,611 | – |
| | **6,641** | **31,914** |
| **Total Income** | **479,513** | **327,434** |

## 2. Investment Management Fee

| | 2008 Revenue £ | 2008 Capital £ | 2008 Total £ | 2007 Revenue £ | 2007 Capital £ | 2007 Total £ |
|---|---|---|---|---|---|---|
| Investment management fee | 561,457 | – | 561,457 | 659,190 | – | 659,190 |
| Performance fee | – | – | – | – | 1,156,744 | 1,156,744 |
| | **561,457** | **–** | **561,457** | **659,190** | **1,156,744** | **1,815,934** |

The Company's investment manager is RCM (UK) Limited ("RCM"). The management contract, terminable at one year's notice, provides for a management fee of 1.00% per annum payable quarterly in arrears and calculated on the average value of the market capitalisation of the Company at the last business day of each month in the relevant quarter. In addition there is a fee of £50,000 per annum to cover RCM's administration costs. Under the contract, RCM provides the Company with investment management, accounting, secretarial and administration services. 'Investment Management fee' in the table above includes the annual administration fee of £50,000.

In addition, the Manager is entitled to a performance fee based on the level of outperformance of the Company's net asset value per share over its benchmark, the Dow Jones World Technology Index (Sterling adjusted Total Return), during the relevant Performance Period.

The Performance Period corresponds with the financial year of the Company. The first Performance Period was from 1 May 2007, being the date that RCM took over as manager, through to the financial year end, 30 November 2007.

The Performance Fee is calculated as 20 per cent of the outperformance of the net asset value per share (adjusted for any dividends paid by the Company to shareholders) compared to the indexed net asset value over the Performance Period. This outperformance is multiplied by the weighted average number of Ordinary shares in issue during the Performance Period.

However, regardless of whether the Manager outperforms the benchmark, a Performance Fee will only be charged where the net asset value per share at the end of the relevant Performance Period is greater than the highest previously recorded net asset value per share on which a Performance Fee was earned.

The Performance Fee earned by the Manager for this Performance Period was Nil (2007 – £1,156,744).

The amounts stated include irrecoverable VAT of Nil (2007 – £24,227). Due to the European Court of Justice ruling in the VAT case bought by JP Morgan Fleming Claverhouse Trust plc in conjunction with the AIC on 28 June 2007, VAT has not been charged on management fees since 1 May 2007.

# **Notes to the Financial Statements** for the year ended 30 November 2008

## 3. Administration expenses

| | 2008<br>£ | 2007<br>£ |
|---|---|---|
| Directors' fees | 97,746 | 105,333 |
| Fees payable to the Company's auditors for the audit of the annual financial statements | 23,300 | 18,000 |
| Fees payable to the Company's auditors for all other services | – | 10,000 |
| Safe custody and other charges | 30,223 | 31,080 |
| Marketing costs and savings scheme | 48,996 | 43,347 |
| Other administrative expenses | 158,194 | 641,962 |
| | **358,459** | **849,722** |

(a) The above expenses include value added tax where applicable.

(b) Directors' fees are paid at an annual rate. Further details are provided in the Directors' Remuneration Report on page 25.

(c) Auditors' remuneration includes VAT of £3,470 (2007 – £4,207).

(d) Other administrative expenses in 2007 include exceptional amounts totalling £390,245 relating to advisors' fees in connection with the change of manager, and £117,366 in connection with the bonus issue of subscription shares in 2007.

## 4. Finance costs: interest payable and similar charges

| | 2008<br>£ | 2007<br>£ |
|---|---|---|
| On sterling overdraft | 2,875 | 15,516 |
| On overseas overdraft | 2,487 | 832 |
| | **5,362** | **16,348** |

# **Notes to the Financial Statements** for the year ended 30 November 2008

## 5. Taxation

(a) Analysis of tax charge for the year:

| | 2008 Revenue £ | 2008 Capital £ | 2008 Total £ | 2007 Revenue £ | 2007 Capital £ | 2007 Total £ |
|---|---|---|---|---|---|---|
| Overseas taxation | 49,897 | – | 49,897 | 30,281 | – | 30,281 |
| **Current tax charge** | **49,897** | **–** | **49,897** | **30,281** | **–** | **30,281** |

(b) Factors affecting the current tax charge for the year:

| | 2008 Revenue £ | 2008 Capital £ | 2008 Total £ | 2007 Revenue £ | 2007 Capital £ | 2007 Total £ |
|---|---|---|---|---|---|---|
| Return on ordinary activities before taxation | (445,765) | (16,313,721) | (16,759,486) | (1,197,826) | 9,481,807 | 8,283,981 |
| Corporation tax at 28% (2007 – 30%) | (124,814) | (4,567,842) | (4,692,656) | (359,348) | 2,844,542 | 2,485,194 |
| **Effects of:** | | | | | | |
| Non taxable income | (1,819) | – | (1,819) | (5,060) | – | (5,060) |
| Non taxable capital losses | – | 4,676,654 | 4,676,654 | – | (3,191,565) | (3,191,565) |
| Disallowable expenses | 22,459 | – | 22,459 | 45,588 | – | 45,588 |
| Overseas tax suffered | 49,897 | – | 49,897 | 30,281 | – | 30,281 |
| Accrued income taxable on receipt | (9,533) | – | (9,533) | (9,665) | – | (9,665) |
| Changes in taxation rates | (2,973) | (108,812) | (111,785) | – | – | – |
| Excess of allowable expenses over taxable income | 116,680 | – | 116,680 | 328,485 | 347,023 | 675,508 |
| **Current tax charge** | **49,897** | **–** | **49,897** | **30,281** | **–** | **30,281** |

The Company's taxable income is exceeded by its tax allowable expenses, which include both the revenue and capital elements of the management fee and finance costs of borrowing. The Company has surplus expenses carried forward of £30.7m (2007 – £30.3m) and eligible unrelieved foreign tax of £0.1m (2007 – £0.1m). Given the Company's current investment strategy, it is unlikely to generate sufficient UK taxable profits to relieve these expenses.

As at 30 November 2008 there is an unrecognised deferred tax asset of £8.7m (2007 – £8.6m). This deferred tax asset relates to the current and prior year unutilised expenses. It is considered uncertain that there will be a liability in the future against which the deferred tax asset can be offset. Therefore the asset has not been recognised.

Due to the Company's status as an investment 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 disposal of investments.

# **Notes to the Financial Statements** for the year ended 30 November 2008

## 6. Dividends on Ordinary Shares

There were no dividends paid or declared during the financial year ended 30 November 2008 (2007 – Nil).

## 7. Return per Ordinary Shares

| | 2008 Revenue £ | 2008 Capital £ | 2008 Total Return £ | 2007 Revenue £ | 2007 Capital £ | 2007 Total Return £ |
|---|---|---|---|---|---|---|
| Return after taxation attributable to Ordinary Shareholders | (495,662) | (16,313,721) | (16,809,383) | (1,228,107) | 9,481,807 | 8,253,700 |
| Return per Ordinary Share | (2.10p) | (69.08p) | (71.18p) | (5.12p) | 39.55p | 34.43p |

The return per Ordinary Share is based on a weighted average of 23,614,795 Ordinary Shares in issue. (2007 – 23,975,242).

## 8. Fixed Asset Investments

| | 2008 Listed UK/Overseas £ | 2008 Other Unlisted £ | 2008 Total £ | 2007 Listed UK/ Overseas £ | 2007 AIM £ | 2007 Other Unlisted £ | 2007 Total £ |
|---|---|---|---|---|---|---|---|
| Value of investments brought forward | 62,983,904 | 365,589 | 63,349,493 | 50,175,731 | 4,089,897 | 807,546 | 55,073,174 |
| Unrealised (gains) losses brought forward | (8,307,380) | 433,168 | (7,874,212) | 4,776,754 | 3,473,294 | 2,585,669 | 10,835,717 |
| **Cost of investments held brought forward** | **54,676,524** | **798,757** | **55,475,281** | **54,952,485** | **7,563,191** | **3,393,215** | **65,908,891** |
| Additions at cost | 172,962,921 | – | 172,962,921 | 154,882,192 | – | – | 154,882,192 |
| Disposals at cost | (177,615,069) | – | (177,615,069) | (155,158,153) | (7,563,191) | (2,594,458) | (165,315,802) |
| **Cost of investments held at 30 November** | **50,024,376** | **798,757** | **50,823,133** | **54,676,524** | **–** | **798,757** | **55,475,281** |
| Unrealised (losses) gains at 30 November | (6,428,772) | (308,883) | (6,737,655) | 8,307,380 | – | (433,168) | 7,874,212 |
| **Fair value of investments held at 30 November** | **43,595,604** | **489,874** | **44,085,478** | **62,983,904** | **–** | **365,589** | **63,349,493** |

| | 2008 £ | 2007 £ |
|---|---|---|
| **Net (losses) gains on investments** | | |
| Net realised losses based on historical costs | (1,860,300) | (8,080,369) |
| Adjustment for net unrealised (gains) losses recognised in previous years | (8,807,789) | 10,452,838 |
| **Net realised (losses) gains based on carrying value at previous balance sheet date** | **(10,668,089)** | **2,372,469** |
| Net unrealised (losses) gains arising in the year | (5,804,078) | 8,268,081 |
| Special dividends | – | 4,009 |
| **Net (losses) gains on investments** | **(16,472,167)** | **10,644,559** |

Transaction costs on purchases amounted to £127,545 (2007 – £254,491) and transaction costs on sales amounted to £142,598 (2007 – £281,071).

# **Notes to the Financial Statements** for the year ended 30 November 2008

## 9. Current Assets and Creditors

| | 2008 £ | 2007 £ |
|---|---|---|
| **Debtors:** | | |
| Sales for future settlement | – | 1,046,234 |
| Accrued income | 55,954 | 29,823 |
| Other debtors | 29,591 | 15,267 |
| | **85,545** | **1,091,324** |
| **Cash at bank** | **1,153,333** | **865,719** |
| **Creditors: Amounts falling due within one year:** | | |
| Purchases for future settlement | 177,833 | 1,176,412 |
| Bank overdraft | – | 122,995 |
| Stamp Duty payable | 525 | – |
| Other creditors | 225,055 | 1,466,310 |
| | **403,413** | **2,765,717** |

## 10. Share Capital

| | 2008 £ | 2007 £ |
|---|---|---|
| **Authorised** | | |
| 60,000,000 Ordinary Shares of 25p | 15,000,000 | 15,000,000 |
| **Allotted and fully paid** | | |
| 23,537,249 Ordinary Shares of 25p (2007 – 23,860,312)* | 5,884,312 | 5,965,078 |
| 4,765,631 Subscription Shares of 1p (2007 – 4,770,568) | 47,656 | 47,706 |
| | **5,931,968** | **6,012,784** |

*Inclusive of 30,000 (2007 – Nil) Ordinary Shares held in treasury for reissue into the market or cancellation at a future date. Shares held in treasury are non-voting and not eligible for receipt of dividends.

During the year the Company repurchased for cancellation 328,000 Ordinary Shares at a cost of £759,024 and 30,000 Ordinary Shares to be held in treasury at a cost of £64,650. Since the year end, a further 178,400 Ordinary Shares have been repurchased and held in treasury at a cost of £326,002 for re-issue into the market or cancellation at a future date.

On 16 August 2007, the Company made a bonus issue of 4,770,568 Subscription Shares, on the basis of one Subscription Share for every five existing Ordinary Shares, to all shareholders on the Register of Members at the close of business on 17 August 2007. Holders of Subscription Shares are not entitled to receive notice of, attend or vote at meetings of Ordinary Shareholders and Subscription Shares carry no right to any dividend or other distribution by the Company. In accordance with the prospectus dated 18 July 2007, holders of Subscription Shares can subscribe for Ordinary Shares at a conversion price of 267p, in each of the years 2008 to 2012.

## 11. Share Premium Account

| | 2008 £ |
|---|---|
| Balance at 30 November 2007 | 23,439,864 |
| Movement in year | 11,997 |
| **Balance at 30 November 2008** | **23,451,861** |

The balance on this account was increased following the conversion of 4,937 Subscription Shares to Ordinary Shares at a premium of £2.43 during the year.

# **Notes to the Financial Statements** for the year ended 30 November 2008

## 12. Capital Redemption Reserve

| | 2008<br>£ |
|---|---|
| Balance at 30 November 2007 | 938,750 |
| Movement in year | 82,000 |
| **Balance at 30 November 2008** | **1,020,750** |

The balance on this account was increased by the transfer of £82,000 in respect of 328,000 Ordinary Shares repurchased by the Company and cancelled.

## 13. Capital Reserves

| | Realised<br>£ | Unrealised<br>£ | Total<br>£ |
|---|---|---|---|
| Balance at 30 November 2007 | 35,165,334 | 7,879,194 | 43,044,528 |
| Net losses on realisation of investments | (10,668,089) | – | (10,668,089) |
| Net gains on foreign currencies | – | 158,446 | 158,446 |
| Purchase of Ordinary Shares for cancellation and holding in treasury | (823,674) | – | (823,674) |
| Transfer on disposal of investments | 8,807,789 | (8,807,789) | – |
| Net unrealised losses arising in year | – | (5,804,078) | (5,804,078) |
| **Balance at 30 November 2008** | **32,481,360** | **(6,574,227)** | **25,907,133** |

Under the terms of the Company's Articles of Association, the capital reserves are distributable only by way of redemption or purchase of any of the Company's own shares, for so long as the Company carries on business as an Investment Company.

The Institute of Chartered Accountants in England and Wales (ICAEW), in its technical guidance TECH 01/08, states that unrealised gains (losses) arising out of a change in fair value of assets, may be recognised as realised provided they can be readily converted into cash. Securities listed on a stock exchange are generally regarded as being readily convertible into cash and hence unrealised profits in respect of such securities, currently included within the Unrealised Capital Reserve, may be regarded as realised under Company Law.

## 14. Revenue Reserve

| | 2008<br>£ |
|---|---|
| Balance at 30 November 2007 | (10,895,107) |
| Revenue deficit for the year | (495,662) |
| **Balance at 30 November 2008** | **(11,390,769)** |

## 15. Net Asset Value per share

The Net Asset Value per share (which equates to the net asset value attributable to each Ordinary Share in issue at the year end calculated in accordance with the Articles of Association) was as follows:

| | Net Asset Value per Share attributable | |
|---|---|---|
| | 2008 | 2007 |
| Ordinary Shares of 25p | 191.1p | 262.1p |

| | Net Asset Value attributable | |
|---|---|---|
| | 2008 | 2007 |
| Ordinary Shares of 25p | £44,920,943 | £62,540,819 |

The Net Asset Value per share is based on 23,507,249 Ordinary Shares in issue at the year end (2007 – 23,860,312).

# Notes to the Financial Statements for the year ended 30 November 2008

## 16. Contingent Assets, Liabilities and Commitments

The Company has a contingent asset at the balance sheet date relating to VAT recoverable. The contingent asset has arisen as a result of the European Court of Justice ruling on 28 June 2007 in the VAT case, brought by JPMorgan Fleming Clavenhouse Trust plc in conjunction with the AIC, concerning VAT exemption on management expenses for investment trusts. It is not possible at this time to calculate an accurate monetary estimate of the amount recoverable.

## 17. Reconciliation of Return on Ordinary Activities before Finance Cost and Taxation to Net Cash Outflow from Operating Activities

| | 2008<br>£ | 2007<br>£ |
|---|---|---|
| Return before finance cost and taxation | (16,754,124) | 8,300,329 |
| Add: Special dividends credited to capital | – | 4,009 |
| Add: Net losses (gains) on investments at fair value | 16,472,167 | (10,644,559) |
| Less: Effective yield amortisation | (122,269) | (10,260) |
| Less: Overseas tax suffered | (49,897) | (30,281) |
| Less: Net (gains) losses on foreign currencies | (158,446) | 6,008 |
| | **(612,569)** | **(2,374,754)** |
| (Increase) decrease in debtors | (40,455) | 32,252 |
| (Decrease) increase in creditors | (1,241,255) | 1,285,554 |
| **Net cash outflow from operating activities** | **(1,894,279)** | **(1,056,948)** |

## 18. Reconciliation of Net Cash Flow to Movement in Net Funds

### (i) Analysis of Net Funds

| | Cash<br>£ | Bank Overdraft<br>£ | Net Funds<br>£ |
|---|---|---|---|
| Balance at 30 November 2007 | 865,719 | (122,995) | 742,724 |
| Movement in the year | 129,168 | 122,995 | 252,163 |
| Net gains on foreign currencies | 158,446 | – | 158,446 |
| **Balance at 30 November 2008** | **1,153,333** | **–** | **1,153,333** |

### (ii) Reconciliation of Net Cash Flow to Movement in Net Funds

| | 2008<br>£ | 2007<br>£ |
|---|---|---|
| Net cash inflow | 252,163 | 187,824 |
| Net gains on foreign currencies | 158,446 | – |
| **Movement in net funds** | **410,609** | **187,824** |
| Net funds brought forward | 742,724 | 554,900 |
| **Net funds carried forward** | **1,153,333** | **742,724** |

# **Notes to the Financial Statements** for the year ended 30 November 2008

## 19. Financial Risk Management

The Company invests in equities and other investments in accordance with its investment policy as stated on page 2. In pursuing its investment policy, the Company is exposed to certain inherent risks that could result in a reduction in the Company's net return and net assets.

The main risks arising from the Company's financial instruments are: market risk, liquidity risk and credit risk. The Director's approach to the management of these risks are set out below. The Investment Manager, in close cooperation with the Directors, implement the Company's risk management policies. These policies have remained substantially unchanged during the current and preceding period.

### Market Risk

The Investment Manager assesses the exposure to market risk when making each investment decision, and monitors the risk on the investment portfolio on an ongoing basis. Market risk comprises market price risk, foreign currency risk and interest rate risk.

#### (i) Market Price Risk

Market price risk arises mainly from the uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. A list of the Company's investments is shown on pages 8 and 9.

#### Management of market price risk

The Directors meet regularly to evaluate the risk associated with the investment portfolio. Dedicated fund managers have the responsibility for monitoring the existing portfolio selection in accordance with the Company's investment objective and seek to ensure that individual stocks meet an acceptable risk reward profile.

The value of the Company's listed equities (i.e., fixed asset investments, excluding unlisted equities and US Treasury Bills) which were exposed to market price risk as at 30 November was as follows:

| | 2008<br>£ | 2007<br>£ |
|---|---|---|
| Listed equity investments held at fair value through profit or loss | 39,279,105 | 57,734,187 |

The following table illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% (2007 - 20%) in the fair values of the Company's listed equities. This level of change is considered to be reasonably possible based on observation of market conditions during the year. The sensitivity analysis is based on the impact of change to the value of the Company's investments at each balance sheet date, and the consequent impact on investment management fees (excluding performance fees detailed in Note 2 to the financial statements) for the year, with all other variables held constant.

| | 2008<br>20% Increase<br>in fair value<br>£ | 2008<br>20% Decrease<br>in fair value<br>£ | 2007<br>20% Increase<br>in fair value<br>£ | 2007<br>20% Decrease<br>in fair value<br>£ |
|---|---|---|---|---|
| **Revenue return** | | | | |
| Investment management fee | (78,558) | 78,558 | (115,468) | 115,468 |
| **Capital return** | | | | |
| Net gains (losses) on investments at fair value | 7,855,821 | (7,855,821) | 11,546,837 | (11,546,837) |
| **Change in net return and net assets** | **7,777,263** | **(7,777,263)** | **11,431,369** | **(11,431,369)** |

# **Notes to the Financial Statements** for the year ended 30 November 2008

### (ii) Foreign Currency Risk

Foreign currency risk is the risk of the movement in the values of overseas financial instruments as a result of fluctuations in exchange rates.

#### Management of foreign currency risk

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling on the date of the transaction. Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. It is the Company's policy not to hedge foreign currency exposure.

The table below summarises in sterling terms the foreign currency risk exposure:

| | 2008 Investments £ | 2008 Other Assets and Liabilities £ | 2008 Total Currency Exposure £ | 2007 Investments £ | 2007 Other Assets and Liabilities £ | 2007 Total Currency Exposure £ |
|---|---|---|---|---|---|---|
| Sterling | 949,806 | (173,826) | 775,980 | 41,174 | (1,540,103) | (1,498,929) |
| US Dollar | 41,673,061 | 346,592 | 42,019,653 | 52,434,117 | 529,935 | 52,964,052 |
| Other currency exposure | 1,462,611 | 662,699 | 2,125,310 | 10,874,202 | 201,494 | 11,075,696 |
| | **44,085,478** | **835,465** | **44,920,943** | **63,349,493** | **(808,674)** | **62,540,819** |

The following table details the company's sensitivity to a 20% increase and decrease in sterling against the relevant foreign currencies and the resultant impact that any such increase or decrease would have on the net return and net assets. The sensitivity analysis includes all foreign currency denominated items and adjusts their translation at the year end for a 20% change in foreign currency rates.

| | 2008 20% Decrease in Sterling against foreign currencies £ | 2008 20% Increase in Sterling against foreign currencies £ | 2007 20% Decrease in Sterling against foreign currencies £ | 2007 20% Increase in Sterling against foreign currencies £ |
|---|---|---|---|---|
| US Dollar | 10,504,914 | (7,003,275) | 13,241,013 | (8,827,342) |
| Other currency exposure | 531,328 | (354,218) | 2,768,925 | (1,845,949) |
| **Change in net return and net assets** | **11,036,242** | **(7,357,493)** | **16,009,938** | **(10,673,291)** |

### (iii) Interest Rate Risk

Interest rate risk is the risk of movement in the values of financial instruments as a result of fluctuations in interest rates.

#### Management of interest rate risk

The Company's exposure to fixed rate bearing financial assets, being the US Treasury Bills, as at 30 November 2008 was £4,316,499 (2007 – £5,249,717). This asset has a weighted average period to maturity of 0.25 years (2007 – 0.2 years) and an effective yield of 0.02% (2007 – 0.16%). It is held instead of cash to provide qualifying income for the purpose of maintaining the Company's investment trust status.

The Company's exposure to floating rate bearing financial assets and liabilities, being the cash balances and bank overdrafts is shown in Note 9: Current Assets and Creditors on page 37. Interest rates received on cash balances, or paid on bank overdrafts respectively, is approximate to 0.1% and 3.025% per annum (2007 – 0.63% and 6.7125% per annum).

The above year end amounts are reasonably representative of the Company's exposure to interest rates fluctuation during the year. The Company invests predominantly in equities, the values of which are not directly affected by changes in prevailing market interest rates. The Company's policy is to remain substantially fully invested. It does not expect to hold significant cash balances and therefore there is minimal exposure to interest rate risk.

# **Notes to the Financial Statements** for the year ended 30 November 2008

### Liquidity Risk

Liquidity risk relates to the capacity to meet liabilities as they fall due and is dependent on the liquidity of the underlying assets.

### Management of liquidity risk

The contractual maturity of the financial liabilities of the Company is limited to short-term creditors as shown in Note 9: Current Assets and Creditors on page 37, which can required to be paid within three months or less. Liquidity risk is not significant as the Company's assets mainly comprise realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility can be achieved through the use of overdraft facilities, where necessary. As at 30 November 2008, the Company had no committed borrowing facility (2007 – £2 million).

### Credit Risk

Credit risk is the risk of default by a counterparty.

### Management of credit risk

The holdings of US Treasury Bills and outstanding settlements are subject to credit risk. Credit risk is mitigated by the Company through its decision to transact with counterparties of high credit quality. The Company considers the credit risk of holding US Treasury Bills to be small and only buys and sells investments through brokers which are considered to be approved counterparties, thus minimising the risk of default during settlement. The credit ratings of brokers are reviewed quarterly by the Investment Manager.

The Company is also exposed to credit risk through the use of banks for its cash position. Bankruptcy or insolvency of banks may cause the Company's rights with respect to cash held with these banks to be delayed or limited. The Company's cash balances are held with Bank of New York Mellon Inc, rated Aaa by Moody's rating agency. The Directors believe the counterparties the Company has chosen to transact with are of high credit quality and therefore the Company has minimal exposure to credit risk.

### Fair values of Financial Assets and Financial Liabilities

The financial assets and financial liabilities are either carried at fair value or the balance sheet amount is a reasonable approximation of their fair value.

## 20. Capital Management Policies and Procedures

The Company's objective is to provide long-term capital growth through investing principally in the equity securities of quoted technology companies on a worldwide basis.

The Company's capital at 30 November 2008 comprises:

| | **2008**<br>**£** | **2007**<br>**£** |
|---|---|---|
| **Debt** | | |
| Creditors: Amounts falling due within one year | 403,413 | 2,765,717 |
| | **403,413** | **2,765,717** |
| **Equity** | | |
| Called up Share Capital | 5,931,968 | 6,012,784 |
| Share Premium Account and Other Reserves | 38,988,975 | 56,528,035 |
| | **44,920,943** | **62,540,819** |
| **Total Capital** | **45,324,356** | **65,306,536** |
| **Debt as a percentage of total capital** | **0.9%** | **4.2%** |

The Board, with the assistance of the Investment Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. The level of gearing is monitored, taking into account the Investment Manager's view on the market and the future prospects of the trust's performance. Capital management also involves reviewing the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium) to assess the need to repurchase shares for cancellation. The Company's objective, policies and processes for managing capital are unchanged from the previous accounting period, and the Company has continued to comply with them.

# Directors, Manager, Advisers & Contact Details

## Directors

David Quysner, Chairman
John Cornish
Paul Gaunt
Richard Holway
Dr Chris Martin

## Company Registration Number

3117355 (Registered in England)

## Registered Office

155 Bishopsgate
London EC2M 3AD
Telephone: 020 7859 9000

## The Manager

Allianz Global Investors is the marketing name of RCM (UK) Limited, which is authorised and regulated by the Financial Services Authority.

Allianz Global Investors is one of the largest fund managers in Europe and as at 30 September 2008 had combined assets of £763.6 billion under management. Through its predecessors, Allianz Global Investors has a heritage of investment trust management expertise in the UK reaching back to the nineteenth century and it had £0.9 billion assets under management in a range of investment trusts as at 31 December 2008.
Website: www.rcm.co.uk

### Investment Manager

RCM (UK) Limited,
155 Bishopsgate
London EC2M 3AD

### Secretary and Registered Office

Kirsten Salt BA(Hons) ACIS
155 Bishopsgate
London EC2M 3AD
Telephone: 0207 065 1513
Email: kirsten.salt@uk.rcm.com

### Website

www.rcmtechnologytrust.co.uk

## Auditors

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

## Stockbrokers

Winterflood Investment Trusts
The Atrium Building
Cannon Bridge, 25 Dowgate Hill
London EC4R 2GA

## Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge, Huddersfield
West Yorkshire HD8 0LA
Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras)
Facsimile: 020 8639 2342
E-Mail: ssd@capitaregistrars.com
Website: www.capitaregistrars.com

## Shareholder Enquiries

Capita Registrars are the Company's Registrars and maintain the share register. In the event of queries regarding their holdings of shares, lost certificates, dividend cheques, registered details, etc., shareholders should contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras) or 0044 8639 3399 if calling from overseas. Changes of name and address must be notified to the Registrars in writing. Any general enquiries about the Company should be directed to the Company Secretary, RCM Technology Trust PLC, 155 Bishopsgate, London EC2M 3AD.
Telephone 020 7065 1513.

## CREST Proxy Voting

Shares held in uncertificated form (i.e., in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual.

# Investor Information

## Market and Portfolio Information

The Company's Ordinary Shares and Subscription Shares are listed on the London Stock Exchange under the respective codes RTT and RTTS. The market price range, gross yield and net asset value are shown daily in the Financial Times and The Daily Telegraph under the headings 'Investment Trusts' and 'Investment Companies', respectively. The net asset value of the Ordinary Shares is calculated daily and published on the London Stock Exchange Regulatory News Service. The geographical spread of investments and ten largest holdings are published monthly on the London Stock Exchange Regulatory News Service. They are also available from the Investment Manager's Investors Helpline on 0800 317 573 or the Investment Manager's Website: www.rcm.com/investmenttrusts.

## Share Prices

The share prices quoted in the London Stock Exchange Daily Official List for 30 November 2008 were: Ordinary Shares 176.5p; Subscription Shares 9.0p.

## Subscription Shares – Capital Gains Tax

### Disposal of Ordinary Shares or Subscription Shares

Shareholders resident or ordinarily resident in the United Kingdom for taxation purposes may, depending upon their personal circumstances, be liable to Capital Gains Tax arising from the sale or other disposal (which includes disposal upon a winding-up) of their Ordinary Shares or their Subscription Shares for the purposes of the Taxation of Chargeable Gains Act 1992.

On a disposal of all or part of the Shareholder's holding of Ordinary Shares or (as the case may be) Subscription Shares, a Shareholder's aggregate Capital Gains Tax base cost in such Shareholder's existing holding of Ordinary Shares will have to be apportioned between the Ordinary Shares and the Subscription Shares, so as to ascertain that part of the base cost which is attributable to the Ordinary Shares and that part of the base cost which is attributable to the Subscription Shares.

That apportionment is made by reference to the respective market values of each of the Ordinary Shares and the Subscription Shares on the first day of dealing of the Subscription Shares.

The first day of dealing of the Subscription Shares was Monday 20 August 2007 and the share prices were as follows:

Ordinary Shares – 222.5p per Share.
Subscription Shares – 37.5p per Share

The following calculation is then applied:

((222.5 x 5) + 37.5) = 1,150
37.5/1150 = 3.26%

Therefore, the base cost for Subscription Shares is 3.26% of the original consideration paid for a holding of Ordinary Shares and the revised base cost of an existing holding of Ordinary Shares is the balance, namely 96.74%, of the original consideration paid.

### Capital Gains Tax – conversion of Subscription Shares

On exercise of the conversion rights attached to Subscription Shares, the Shareholder is not treated as making a disposal of the Subscription Shares. Rather, the Ordinary Shares issued on exercise of the conversion rights should be treated as the same asset as such Subscription Shares, and should be treated as being acquired for an amount equal to the aggregate Conversion Price paid in respect of such Ordinary Shares together with the amount of the consideration deemed to be given by the Shareholder on the receipt of such Subscription Shares.

## Investing in the Company

Former investors in the Close Savings Plans had the opportunity to transfer to the Alliance Trust Savings Plan. Information on investing in the shares of the Company is available from the Investment Manager's Investors Helpline on 0800 317 573 or from the Investment Manager's Website: www.rcm.com/investmenttrusts, or from Alliance Trust Savings ("ATS") Customer Services Department on 01372 573737 or email: contact@alliancetrust.co.uk. The Company has arranged that members of the Alliance Trust Savings Schemes will receive literature about the Company and other literature will also be sent by ATS. Shareholders who prefer not to receive additional literature should contact ATS direct at the contact number or e-mail above.

# Investor Information

## Website

Further information about RCM Technology Trust PLC, including monthly factsheets, daily share price and performance, is available on the Manager's website: www.allianzglobalinvestors.co.uk, which can also be reached via www.rcmtechnologytrust.co.uk.

## Association of Investment Companies (AIC)

The Company is a member of the AIC, the trade body of the investment trust industry, which provides a range of literature including fact sheets and a monthly statistical service. Copies of these publications can be obtained from the AIC, 9th Floor, 24 Chiswell Street, London EC1Y 4YY, or at www.theaic.co.uk.

AIC Category: Technology, Media and Telecommunications.

## Financial Calendar

**Results**

Half-year announced July.
Full-year announced February.

Annual Financial Report posted to shareholders February/March.
Annual General Meeting held March/April.

## Capita Registrars – Share Dealing Services and Share Portal

Capita Registrars, the Company's Registrars, operate an on-line and telephone share dealing facility for UK resident shareholders with share certificates. Stamp duty may also be payable on purchases.

For further information on these services please contact Capita Registrars: www.capitadeal.com (on-line dealing) or 0871 664 0454 (telephone dealing) (Calls cost 10p per minute plus network extras).

Capita Registrars offer shareholders a free on-line service called The Share Portal, enabling shareholders to access a comprehensive range of shareholder related information. Through The Share Portal, shareholders can: view their current and historical shareholding details; obtain an indicative share price and valuation; amend address details; view details of dividend payments; and apply for dividends to be paid directly to a bank or to change existing bank details.

Shareholders can access these services at www.capitaregistrars.com and selecting Share Portal (Shareholders) from the drop down menu, or alternatively via the Portals: Quick Links, and selecting Share Portal.

Shareholders will need to register for a Share Portal Account by completing an on-screen registration form. An e-mail address is required.

## Shareholder Analysis

as at 30 November 2008

| | 2008 number of holders | 2008 number of shares | 2008 % of issued share capital | 2007 number of holders | 2007 number of shares | 2007 % of issued share capital |
|---|---|---|---|---|---|---|
| Nominee Companies | 326 | 21,425,648 | 91.0 | 395 | 21,450,519 | 90.0 |
| Other Institutions, Investment Trusts and Companies | 32 | 359,309 | 1.5 | 45 | 598,068 | 2.5 |
| Banks and Bank Nominees | 4 | 628,641 | 2.7 | 4 | 275,581 | 1.1 |
| Private Individuals | 699 | 1,123,651 | 4.8 | 743 | 1,536,144 | 6.4 |
| Total shares in issue* | 1,061 | 23,537,249 | 100.0 | 1,187 | 23,860,312 | 100.0 |

* includes 30,000 treasury shares.

As at 20 February 2009 the share capital of the Company was 23,537,249 Ordinary Shares. This consisted of 23,328,849 Ordinary Shares in issue and 208,400 Ordinary Shares held in treasury.

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of RCM Technology Trust PLC will be held at The City of London Club, 19 Old Broad Street, London EC2N 1DS on Monday, 30 March 2009 at 11.45 a.m., to transact the following business:

## Ordinary Business

1 To receive and adopt the audited accounts and the Report of the Directors for the year ended 30 November 2008.

2 To re-elect John Cornish as a Director of the Company.

3 To re-elect Paul Gaunt as a Director of the Company.

4 To re-elect Dr Chris Martin as a Director of the Company.

5 To consider and, if thought fit, pass the following resolution, special notice having been received of the intention to propose the following as an ordinary resolution: That Grant Thornton UK LLP be and they are hereby re-appointed as the Auditors of the Company.

6 To authorise the Directors to determine the remuneration of the Auditors.

7 To approve the Directors' Remuneration Report.

## Special Business

To consider, and if thought fit, pass the following Resolutions,
of which Resolution 8 will be proposed as Ordinary Resolution and Resolutions 9, 10 and 11 will be proposed as Special Resolutions:

8 THAT in substitution for all existing authorities the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (the 'Act') to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to a maximum aggregate nominal amount of £583,221 (representing 2,332,884 Ordinary Shares of 25p each, such amount being equivalent to 10 per cent. of the present issued share capital) provided that this authority 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 unless previously revoked, varied or renewed, by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

9 THAT in substitution of all existing powers the Directors be and are hereby generally empowered pursuant to Section 95 of the Companies Act 1985 (the 'Act') to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by resolution 8 above as if sub-section (1) of Section 89 of the Act did not apply to any such allotment and to sell relevant shares (within the meaning of Section 94 of the Act) if, immediately before the sale, such shares are held by the Company as treasury shares (as defined in Section 162a of the Act ('treasury shares')), for cash as if Section 89(1) of the Act did not apply to any such sale provided that this power shall be limited to the allotment of equity securities and the issue of treasury shares:

(a) where the offer of equity securities open for acceptance for a period fixed by the Directors where the equity securities respectively attributable to the interests of the Ordinary shares of 25p each in the Company ('Ordinary Shares') are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them but subject to such exclusions or other arrangements in connection with the issue as the Directors may consider necessary, appropriate, or expedient to deal with equity securities representing fractional entitlements or to deal with legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and

(b) (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal value of £583,221 or, if less, the number representing 10 per cent. of the issued Ordinary share capital of the Company at the date of the meeting at which this resolution is passed and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or 15 months from the date of passing of this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Board may allot equity securities or sell treasury shares pursuant to such offer or agreement as if the power conferred hereby had not expired.

# Notice of Annual General Meeting

10 THAT the Company be 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) of Ordinary Shares of 25p each in the capital of the Company ('Ordinary Shares') provided that:

(a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 3,496,994 or, if less, the number representing 14.99 per cent. of the issued Ordinary Share capital of the Company at the date of the meeting at which this resolution is proposed;

(b) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is 25p;

(c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is an amount equal to the higher of (a) 105 per cent. 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 day on which that Ordinary Share is purchased; and (b) the higher of the price of the last independent trade in shares and the highest then current independent bid for Ordinary Shares on the London Stock Exchange;

(d) the authority hereby conferred shall expire at the earlier of, the conclusion of the Annual General Meeting of the Company to be held in 2010 or, the expiry of 15 months from the date of the passing of this resolution unless such authority is renewed prior to such time; and

(e) the Company may make a contract to purchase Ordinary Shares under this authority before the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract.

11 THAT the Company be 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) of Subscription Shares of 1p each in the capital of the Company ('Subscription Shares') provided that:

(a) the maximum aggregate number of Subscription Shares authorised to be purchased is 714,368 or, if less, the number representing 14.99 per cent. of the issued Subscription Share capital of the Company at the date of the meeting at which this resolution is proposed;

(b) the minimum price (exclusive of expenses) which may be paid for a Subscription Share is 1p;

(c) the maximum price (exclusive of expenses) which may be paid for a Subscription Share is an amount equal to the higher of (a) 105 per cent. of the average of the middle market quotations for a Subscription Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Subscription Share is purchased; and (b) the higher of the price of the last independent trade in Subscription Shares and the highest then current independent bid for Subscription Shares on the London Stock Exchange;

(d) the authority hereby conferred shall expire at the earlier of, the conclusion of the Annual General Meeting of the Company to be held in 2010 or, the expiry of 15 months from the date of the passing of this resolution unless such authority is renewed prior to such time; and

(e) the Company may make a contract to purchase Subscription Shares under this authority before the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority, and may make a purchase of Subscription Shares in pursuance of any such contract.

By order of the Board
K. J. Salt
Secretary

155 Bishopsgate
London EC2M 3AD
20 February 2009

Please see Notes (overleaf).

# Notice of Annual General Meeting

Notes: Members entitled to attend and vote at this Meeting may appoint one or more proxies to attend and, on a poll, vote in their stead. The proxy need not be a Member of the Company. Duly completed proxy forms must reach the office of the Registrars at least 48 hours before the Meeting. A form of proxy is provided with the Annual Financial Report. Completion of the enclosed form of proxy will not preclude a Member from attending the Meeting and voting in person.

In accordance with Section 325 of the Act, the right to appoint proxies does not apply to persons nominated to receive information rights under Section 146 of the Act. Persons nominated to receive information rights under Section 146 of the Act who have been sent a copy of this notice of meeting are hereby informed, in accordance with Section 149(2) of the Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

Shares held in uncertificated form (i.e., in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual.

To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast). Members must be entered on the Company's register of Members at 6.00 p.m. on 28 March 2009 ('the specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of Members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, Members must be entered on the Company's Register of Members at the time which is 48 hours before the time fixed for the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.

Contracts of service are not entered into with the Directors, who hold office in accordance with the Articles of Association.

FSC

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