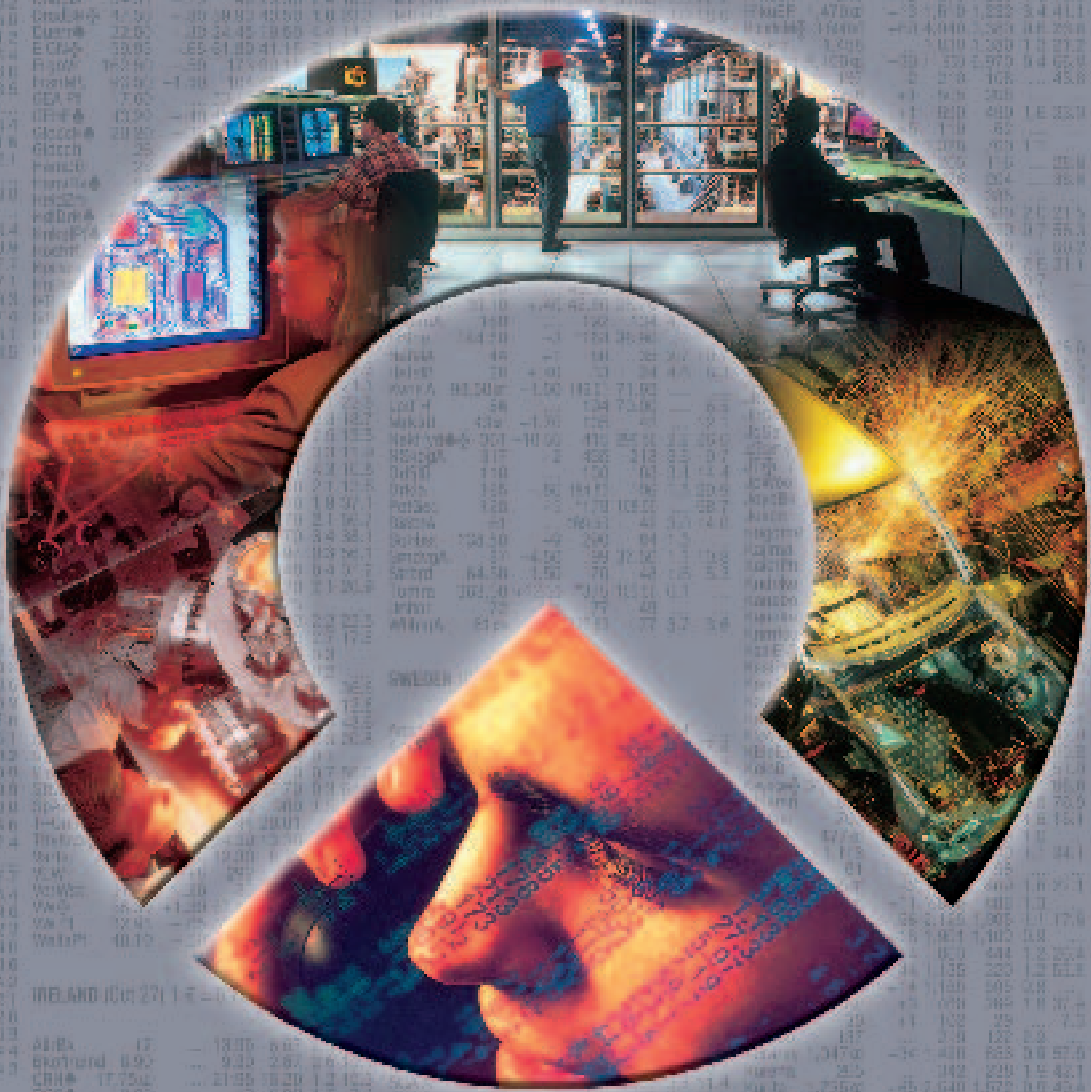
Close Technology & General VCT PLC



Annual Report and Financial Statements
for the year ended 31 December 2006

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COMPANY INFORMATION

Directors	Dr N E Cross, Chairman Lt Gen Sir Edmund Burton KBE M J Hart P H Reeve
Investment Manager	Close Ventures Limited 10 Crown Place London EC2A 4FT Tel: 020 7422 7830
Technology adviser	Close Investments Limited 10 Exchange Square Primrose Street London EC2A 2BY
Secretary and registered office	Close Ventures Limited 10 Crown Place London EC2A 4FT
Registrar and shareholders' helpline	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield HD8 0LA 0870 162 3124
Custodian	Capita Trust Company Ltd Guildhall House 81-87 Gresham Street London EC2V 7QE
Auditors	Deloitte & Touche LLP Stonecutter Court 1 Stonecutter Street London EC4A 4TR
Taxation advisers	Ernst & Young LLP 1 More London Place London SE1 2AF
Legal advisers	Berwin Leighton Paisner Adelaide House London Bridge London EC4R 9HA
Company number	4114310

Close Technology & General VCT PLC is a member of the Association of Investment Companies.

INVESTMENT OBJECTIVES

Close Technology & General VCT PLC ("the Company") raised £14.3m in December 2000 and 2002, and raised a further £35.5m during 2006 through the launch of a C Share issue. The Company offers investors the opportunity to participate in a balanced portfolio of technology and non-technology businesses. The Company's investment portfolio is intended to be split approximately as follows:

- 40% in technology companies, with:
  - 15% in quoted international technology stocks; and
  - 25% in unquoted UK technology-related companies.
- 60% in unquoted UK non-technology companies.

At the Annual General Meeting on 19 June 2007, shareholders will be asked to vote on a resolution to approve a change in investment policy which would invest up to 40% of the Company's portfolio solely in unquoted UK technology-related companies, with no longer any international quoted element. Details of this shareholders' resolution can be found on page 23.

FINANCIAL CALENDAR

Annual General Meeting	19 June 2007
Announcement of interim results for the six months ended 30 June 2007	September 2007
Payment of first dividend	25 May 2007
Payment of second dividend	November 2007

FINANCIAL HIGHLIGHTS

	Ordinary shares 31 December 2006	C shares 31 December 2006
Dividends paid per share (pence)	8.0	0.5
Net asset value per share (pence)	114.4	94.9

	Pence per share (ii)	Pence per share (ii)
Shareholder value created per share since launch:		
Total dividends paid during the year ended 31 December 2001 (i)	1.0	–
Total dividends paid during the year ended 31 December 2002	2.0	–
Total dividends paid during the year ended 31 December 2003	1.5	–
Total dividends paid during the year ended 31 December 2004	7.5	–
Total dividends paid during the year ended 31 December 2005	9.0	–
Total dividends paid during the year ended 31 December 2006	8.0	0.5
Total dividends paid to 31 December 2006	29.0	0.5
Net asset value as at 31 December 2006	114.4	94.9
Total return to 31 December 2006	**143.4**	**95.4**

In addition to the dividends summarised above, the Directors have declared a First Dividend of 4 pence per Ordinary share and 1 pence per C share to be paid on 25 May 2007 to shareholders on the register at 4 May 2007.

Notes

(i) Based on subscription by the first closing on 16 January 2001. Investors subscribing thereafter, up to 30 June 2001 received 0.5 pence per share.

(ii) Excludes tax benefits upon subscription.

CHAIRMAN'S STATEMENT

I am pleased to present the results for the year to 31 December 2006. As indicated at the time of the interim results, this year has been a period of consolidation for the Ordinary shares after the excellent performance over the previous two years. The investment programme for the new C shares, meanwhile, has begun.

Ordinary Share Portfolio

The Ordinary shares saw a revenue return of 3.2 pence (2005: 3.1 pence) and a total return of 1.4 pence (2005: 18.5 pence). After payment of 8 pence per share in dividends during the period, in line with your Company's distribution policy, net asset value per share fell from 120.6 pence at the previous year end to 114.4 pence.

Some £932,000 was invested in qualifying existing and new investee companies within the Ordinary share portfolio, further details of which are given in the portfolio of investments. Small provisions needed to be made against two investments, Peakdale Molecular, and Evolutions Television (which was reduced to cost). In both cases, previous strong growth slowed in the early months of the year. Other businesses, however, continued to perform strongly, in particular Xceleron (the drugs testing business), and Pilat Media Global (IT systems for TV broadcasters). Profits of £143,000 were realised on our small portfolio of AIM stocks, while the international quoted technology stocks realised profits of £154,000.

Subsequent to the year end, and not included in these results, a recommended offer was received for Careforce, resulting in an uplift of £300,000 and realising capital profits of £606,000. Also, since the year end, the Ordinary shares have invested a further £730,000 in a mixture of sectors. These investments are included in note 21 to the accounts.

C Share Portfolio

£2.9m was invested in qualifying new investee companies during the year. The key investments, which were shared with the Ordinary share portfolio, include RFI Global Services, which provides testing facilities to mobile phone manufacturers worldwide; Blackbay, which provides systems for field force and supply chain logistics; Dexela, which has designed a potentially revolutionary form of imaging system for the screening of breast cancer; Helveta, which provides tracking systems to encourage the sustainable management of tropical hardwood resources; and Xceleron, where second round expansion finance was provided for this world-leading provider of drug development services. Asset based investments included the provision of expansion finance to two of our existing pub companies.

Since the year end, the C shares have invested a further £4,625,000 in a mixture of sectors. These investments are included in note 21 to the accounts.

International quoted technology stocks

As we explain in more detail in the Directors' Report, your Board is proposing that the current investment policy, whereby 15% of the investment portfolio is invested in quoted international technology stocks and 25% in unquoted technology-related companies, be replaced by a new policy. Under this new policy, up to 40% of the VCT's portfolio will be invested solely in unquoted UK technology-related companies, with no longer any international quoted element. This proposal follows a review of public equity technology investment and a change of emphasis within Close Investments, the Company's Technology Adviser, away from offering direct technology investment capabilities. This in turn led your Board to undertake a review of the Company's ongoing investment policy. In view of the strong performance of your Company's unquoted technology investments, and the breadth that has now been built up in the unquoted investment portfolio as a whole, it is your Board's view that the proposed change in policy would be in the interests of Shareholders. Resolution 5 to be proposed at the forthcoming Annual General Meeting will allow shareholders to vote on the issue.

CHAIRMAN'S STATEMENT
(continued)

Results, dividends and prospects

At 31 December 2006, the net asset value of the Company's Ordinary shares was £15.5m (31 December 2005: £16.7m) equivalent to 114.4p per share (31 December 2005: 120.6p per share). Net revenue return after taxation was £439,000 (2005: £425,000). The first dividend for the new financial year will be 4p per Ordinary share of which 1.5p will be paid out of revenue profits and 2.5p paid out of realised capital profits.

As at 31 December 2006, the net asset value of the C shares was £33.7m equivalent to 94.9p per share. Net income after taxation was £663,000 enabling the Company to declare a first dividend for the new financial year of 1 pence per share.

Both dividends will be paid on 25 May 2007 to shareholders on the register at 4 May 2007.

Overall, we are encouraged by the progress in both portfolios and the prospects going forward.

Dr. Neil Cross
Chairman

20 April 2007

THE BOARD OF DIRECTORS

The following are the Directors of the Company, all of whom operate in a non-executive capacity.

Dr. Neil Cross (62) was formerly an executive director of 3i Group plc from 1989 to 1996, having spent 27 years in a variety of investment and management roles, latterly in charge of the group's international operations. He has been a non-executive director of a number of listed and private companies and is presently a non-executive director of BMT Group (Chairman), Bernard Matthews Holdings (Deputy Chairman) and Caliburn Absolute Strategies.

Lieutenant General Sir Edmund Burton KBE (63) was Deputy Chief of Defence Staff (Systems) from 1997 to 1999, with specific responsibility for developing a balanced and affordable equipment and research programme for the United Kingdom Armed Forces. His military career prior to that included three years as Commandant of the Royal Military College of Science at Shrivenham and two years as military attaché at the British Embassy in Washington. On 31 December 2003, he completed a three year appointment as Executive Chairman of the Police Information Technology Organisation. He is visiting professor at Cranfield University.

Michael Hart (65) was until October 2004 executive chairman of AFA Systems PLC, the AIM quoted developer of treasury software for financial institutions which he founded in 1995. Prior to that, he was managing director of ACT Group PLC which he joined in 1989 after 15 years at Siemens Nixdorf. He is currently the Chairman of Superstructure Capital Limited.

Patrick Reeve (46) MA, ACA, qualified as a chartered accountant with Deloitte Haskins & Sells before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group plc in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Close Ventures Limited with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996. He is director of Close Income & Growth VCT PLC, Close Brothers Protected VCT PLC and Close Enterprise VCT PLC, all managed by Close Ventures Limited.

THE MANAGER

Close Ventures Limited, which is authorised and regulated by the Financial Services Authority, is the Manager of Close Technology & General PLC VCT. In addition to Close Technology & General VCT PLC, it manages a further six venture capital trusts, and currently has total funds under management of £250m. Close Ventures Limited won the "Best VCT Provider" category in the Professional Adviser Awards 2005 and 2006, and 'VCT Manager of the Year' at the 2005 and 2006 Growth Company Awards. The Manager's ultimate parent company is Close Brothers Group plc, a substantial independent merchant banking group incorporated in Great Britain and listed on the London Stock Exchange.

The following are specifically responsible for the management and administration of the VCTs managed by Close Ventures Limited, including Close Technology & General VCT PLC.

Patrick Reeve, (46), MA, ACA, qualified as a chartered accountant with Deloitte Haskins & Sells before joining Cazenove & Co where he spent three years in the corporate finance department. He joined the Close Brothers Group plc in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Close Ventures Limited with the launch of Close Brothers Venture Capital Trust PLC in the spring of 1996.

Isabel Dolan, (42), BSc (Hons), ACA, MBA, is Finance Director of Close Ventures Limited having previously been Finance Director for a number of unquoted companies. From 1993-1997 she was Head of Recoveries at the Specialised Lending Services of the Royal Bank of Scotland plc and from 1997-2001 she was a Portfolio Director at 3i plc. She joined Close Ventures Limited in 2005.

Dr Andrew Elder, (36), MA, FRCS. After qualifying as a surgeon he practiced for six years, specialising in neurosurgery before joining the Boston Consulting Group as a consultant in 2001 specialising in healthcare strategy. He joined Close Ventures Limited in 2005.

Will Fraser-Allen, (36), BA (Hons), ACA, qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 before specialising in corporate finance and investigation. He joined Close Ventures Limited in 2001.

Emil Gigov, (36), BA (Hons), ACA, qualified as a chartered accountant with KPMG in 1997 and subsequently worked in KPMG's corporate finance division working on the media, marketing and leisure sectors. He joined Close Ventures Limited in 2000.

David Gudgin, (34), BSc (Hons), ACMA, after working for ICL from 1993 to 1999 where he qualified as an accountant, he joined 3i plc as an investment manager based in London and Amsterdam. In 2002 he joined Foursome Investments, the venture capital arm of the Englehorn family, responsible for investing an evergreen fund of US$80m, before joining Close Ventures Limited in 2005.

Ed Lascelles, (31), BA (Hons), joined the corporate broking department of Charterhouse Securities in 1998 focusing on primary and secondary equity fundraisings. He then moved to the corporate finance department of ING Barings in 2000, retaining his focus on smaller UK companies. He joined Close Ventures Limited in 2004.

Henry Stanford, (42), MA, ACA, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of the Close Brothers Group plc in 1992. He became an assistant director in 1996 and transferred to Close Ventures Limited in 1998 to concentrate on VCT investment.

Mark Toomey, (30), BA (Hons). After graduating from The London School of Economics with a degree in Geography and Economics, he joined Lee & Allen Consulting focusing on forensic accounting. He joined Close Ventures Limited in 2001.

Robert Whitby-Smith, (32), BA (Hons), MSI, ACA, qualified as a chartered accountant with KPMG in their corporate finance division. From 2000 to early 2005 he worked in the UK corporate finance departments of Credit Suisse First Boston and subsequently ING Barings, where he was a vice president. He joined Close Ventures Limited in 2005.

THE PORTFOLIO OF INVESTMENTS
Ordinary shares

Qualifying technology investments

		At 31 December 2006			At 31 December 2005			
	Equity owned	Investment at cost £'000	Cumulative movement in carrying/ fair value (1) £'000	Total carrying/ fair value £'000	Investment at cost £'000	Cumulative movement in carrying/ fair value (1) £'000	Total carrying/ fair value £'000	Change in carrying/fair value for the year net of investments in the year £'000
Xceleron Limited	7.7%	540	177	717	500	14	514	164
Pilat Media Global Plc*	1.2%	168	382	550	168	121	289	261
Intelligent Environments Plc*	2.9%	169	109	278	270	(39)	231	147
Blackbay Limited	2.3%	250	10	260	–	–	–	10
Bond International Plc*	0.4%	48	156	204	48	68	116	88
Lowcosttravelgroup Limited	1.3%	120	49	169	120	2	122	47
RFI Global Services Limited	1.4%	180	(13)	167	–	–	–	(13)
Tepnel Life Sciences Plc*	0.7%	328	(205)	123	328	(230)	98	25
Peakdale Molecular Limited	7.4%	427	(339)	88	360	–	360	(340)
Portrait Software Plc*	0.6%	310	(232)	78	310	(172)	138	(60)
sparesFinder Limited	10.5%	675	(610)	65	625	(558)	67	(52)
Dexela Limited	1.6%	65	–	65	–	–	–	–
Helveta Limited	0.8%	60	–	60	–	–	–	–
Red-M Group Limited	0.7%	75	(34)	41	75	1	76	(35)
Palm Tree Technologies plc	0.2%	38	2	40	25	–	25	2
OneclickHR Plc*	0.1%	58	(54)	4	58	(53)	5	(1)
Advanced Medical Solutions Group Plc* (2)	–	–	–	–	300	9	309	(9)
Total technology investments		**3,511**	**(602)**	**2,909**	**3,187**	**(837)**	**2,350**	**234**

(1) Included in this movement is net capital depreciation of equity instruments amounting to £664,000 (2005: £858,000 depreciation) and net movement in carrying value of loans and receivables of £62,000 (2005: £21,000).

(2) Was sold during the course of the year.

* AIM quoted investments

THE PORTFOLIO OF INVESTMENTS

Ordinary shares (continued)

Qualifying non-technology investments

		At 31 December 2006			At 31 December 2005			
	Equity owned	Investment at cost £'000	Cumulative movement in carrying/ fair value (1) £'000	Total carrying/ fair value £'000	Investment at cost £'000	Cumulative movement in carrying/ fair value (1) £'000	Total carrying/ fair value £'000	Change in carrying/fair value for the year net of investments in the year £'000
Evolutions Television Limited	11.0%	1,530	(11)	1,519	1,500	227	1,727	(238)
The Q Garden Company Limited	33.3%	2,068	(900)	1,168	2,068	(947)	1,121	47
Consolidated Communications Management Limited	11.2%	1,000	(59)	941	1,000	53	1,053	(112)
Peakdale Molecular Limited (i)	N/A	533	182	715	533	144	677	38
The Bold Pub Company Limited	4.4%	580	95	675	580	19	599	76
Grosvenor Health Limited	5.4%	415	225	640	375	262	637	(37)
Careforce Group Plc*	4.4%	314	306	620	314	434	748	(128)
The Weybridge Club Limited	4.8%	500	37	537	500	10	510	27
Tower Bridge Health Clubs Limited	2.9%	183	35	218	170	–	170	35
CS (Brixton) Limited	3.9%	150	5	155	150	–	150	5
GB Pub Company Limited	3.9%	160	(7)	153	160	1	161	(8)
Churchill Taverns VCT Limited	3.1%	145	7	152	90	7	97	–
The Rutland Pub Company Limited	2.8%	110	32	142	50	–	50	32
CS (Greenwich) Limited	2.0%	110	(17)	93	100	2	102	(19)
Pelican Inn Limited (previously The Independent Pub Company VCT Limited) (2)	5.0%	120	(38)	82	–	–	–	(38)
The Dunedin Pub Company Limited	3.5%	80	(8)	72	80	1	81	(9)
CS (Exeter) Limited	4.0%	60	(1)	59	60	–	60	(1)
City Screen (Liverpool) Limited	4.6%	50	8	58	50	2	52	6
Novello Pub Limited (previously The Independent Beer Company Limited)	4.3%	100	(43)	57	100	(7)	93	(36)
Total non-technology investments		**8,208**	**(152)**	**8,056**	**7,880**	**208**	**8,088**	**(360)**
Total qualifying investments		**11,719**	**(754)**	**10,965**	**11,067**	**(629)**	**10,438**	**(126)**

(1) Included in this movement is net capital depreciation of equity instruments amounting to £652,000 (2005: £227,000) and net movement in carrying value of loans and receivables of £500,000 (2005: £435,000).

(2) Obtained qualifying status during the year.

* AIM quoted investments.

(i) This part of the Peakdale investment is in loan stock secured against debtors and property and is classified as a non-technology holding.

THE PORTFOLIO OF INVESTMENTS

Ordinary shares (continued)

Non-qualifying investments

		At 31 December 2006			At 31 December 2005			
	Equity owned	Investment at cost £'000	Cumulative movement in carrying/ fair value (1) £'000	Total carrying/ fair value £'000	Investment at cost £'000	Cumulative movement in carrying/ fair value (1) £'000	Total carrying/ fair value £'000	Change in carrying/fair value for the year net of investments in the year £'000
Pelican Inn Limited (previously The Independent Pub Company VCT Limited)(2)		–	–	–	120	(28)	92	28
Smiles Pub Company Limited	22.6%	377	10	387	201	(14)	187	24
Smiles Brewing Company Limited	22.6%	72	(40)	32	72	(15)	57	(25)
Total unquoted non-qualifying investments		**449**	**(30)**	**419**	**393**	**(57)**	**336**	**27**
Portfolio of quoted technology investments	N/A	1,843	70	1,913	1,398	113	1,511	(43)
Total non-qualifying investments		**2,292**	**40**	**2,332**	**1,791**	**56**	**1,847**	**(16)**

(1) Included in this movement is net capital depreciation of equity instruments amounting to £30,000 (2005: £57,000) and net negative movement in carrying value of loans and receivables of £nil (2005: £nil) for the unquoted non-qualifying investments; and net capital appreciation amounting to £70,000 (2005: £113,000) for the portfolio of international quoted technology investments.

(2) Obtained qualifying status during the year.

THE PORTFOLIO OF INVESTMENTS
C shares

Qualifying technology investments

	At 31 December 2006			
	Equity owned	Investment at cost £'000	Cumulative movement in carrying/ fair value (1) £'000	Total carrying/ fair value £'000
Blackbay Limited	5.5%	600	24	624
Helveta Limited	7.3%	530	5	535
Xceleron Limited	7.6%	530	–	530
Dexela Limited	10.8%	440	–	440
RFI Global Services Limited	0.8%	100	(4)	96
Total technology investments		**2,200**	**25**	**2,225**

(1) Included in this movement is capital depreciation of equity instruments amounting to £11,000 and movement in carrying value of loans and receivables of £36,000.

Qualifying non-technology investments

	At 31 December 2006			
	Equity owned	Investment at cost £'000	Cumulative movement in carrying/ fair value (1) £'000	Total carrying/ fair value £'000
The Rutland Pub Company Limited	9.5%	370	98	468
Churchill Taverns VCT Limited	6.3%	340	20	360
Evolutions Television Limited	0.4%	70	(7)	63
Total non-technology investments		**780**	**111**	**891**
Total qualifying investments		**2,980**	**136**	**3,116**

(1) Included in this movement is capital depreciation of equity instruments amounting to £59,000 and movement in carrying value of loans and receivables of £52,000.

THE PORTFOLIO OF INVESTMENTS
C shares (continued)

Non-qualifying investments

	At 31 December 2006			
	Equity owned	Investment at cost £'000	Cumulative movement in carrying/ fair value (1) £'000	Total carrying/ fair value £'000
Nationwide FRN June 2010		5,007	(2)	5,005
The Royal Bank of Scotland FRN January 2009		5,003	(2)	5,001
Abbey National FRN September 2008		5,001	–	5,001
Rabobank FRN July 2010		5,000	–	5,000
Alliance & Leicester FRN October 2008		4,999	(1)	4,998
Total floating rate notes		**25,010**	**(5)**	**25,005**
Portfolio of International quoted technology investments		3,278	147	3,425
Total non-qualifying investments		**28,288**	**142**	**28,430**

(1) Included in this movement is capital appreciation of equity instruments amounting to £147,000 and capital depreciation in floating rate notes of £5,000.

PORTFOLIO COMPANIES

Unquoted loan stock held by the following investments is classified as loans and receivables in accordance with Financial Reporting Standard ("FRS") 26 "Financial Instruments Measurement" and carried at amortised cost using the effective interest rate method.

The top ten investments by value are as follows:

Evolutions Television Limited
The company is a television post production business providing post production services, including video and sound editing and automation, to a broad range of production companies. It operates from a freehold building in Oxford Street, London and three leasehold premises nearby. In 2007 it was voted "Television Post Production Company of the Year".

Latest audited results – year to 30 June 2005

	£'000
Turnover	2,186
Profit before Tax (PBT)	(265)
Profit after Tax (PAT)	(265)
Net assets	1,498
% of equity held	11%
Basis of valuation:	Multiple of earnings combined with a property valuation
Website:	www.evolutions.tv

Other funds managed by Close Ventures Limited have invested in this company.

Xceleron Limited
The company is a spin-out from York University using accelerator mass spectrometry to provide bio-analytical services to the drug development industry.

Latest audited results – year to 31 July 2006

	£'000
Turnover	2,655
PBT	(580)
PAT	(580)
Net assets	857
% of equity held	15%
Basis of valuation:	Value of latest investment round
Website:	www.xceleron.co.uk

Other funds managed by Close Ventures Limited have invested in this company.

The Q Garden Company Limited
The Q Garden Company owns and operates a seven acre freehold garden centre in Fareham (Hampshire).

Latest audited results – year to 31 January 2006

	£'000
Turnover	1,322
PBT	(357)
PAT	(357)
Net assets	(2,036)
% of equity held	33%
Basis of valuation:	The valuation is based on an independent third party valuation in October 2006.

Other funds managed by Close Ventures Limited have invested in this company.

PORTFOLIO COMPANIES
(continued)

Consolidated Communications Management Limited
Consolidated Communications is a management buy-out of an established public relations agency, formed in 1991, which specialises in the consumer sector and has a broad range of 'blue chip' clients.

Latest audited results – year to 28 February 2006

	£'000
Turnover	6,677
PBT	86
PAT	54
Net assets	2,415
% of equity held	11%
Basis of valuation:	Multiple of maintainable earnings
Website:	www.consol.co.uk

Other funds managed by Close Ventures Limited have invested in this company.

Blackbay Limited
The company provides mobile data solutions for the logistics and field service sectors.

Latest audited results – year to 31 December 2005

	£'000
Turnover	802
PBT	(14)
PAT	(14)
Net assets	13
% of equity held	8%
Basis of valuation:	The investment is valued at cost plus amortised cost movements
Website:	www.blackbay.com

Other funds managed by Close Ventures Limited have invested in this company.

Peakdale Molecular Limited
Peakdale Molecular is engaged in research, processing and the supply of chemical compounds to the major pharmaceutical companies. It operates from a substantial freehold site in Chapel-en-le-Frith, Derbyshire.

Latest audited results – year to 31 March 2006

	£'000
Turnover	3,980
PBT	(82)
PAT	57
Net assets	2,421
% of equity held	7%
Basis of valuation:	Multiple of maintainable earnings
Website:	www.peakdale.co.uk

Other funds managed by Close Ventures Limited have invested in this company.

PORTFOLIO COMPANIES
(continued)

The Bold Pub Company Limited
The company was formed to acquire a group of 10 freehold and long leasehold pubs in the North West of England. It has subsequently acquired a further 20 public houses in the region, taking the total in the portfolio to 30.

Latest audited results – year to 31 March 2006
As a small company, The Bold Pub Company is exempt from filing full accounts.

	£'000
Net assets	1,994
% of equity held	4%
Basis of valuation:	The valuation is based on an independent third party valuation in December 2006.

Other funds managed by Close Ventures Limited have invested in this company.

Grosvenor Health Limited
The company is a provider of occupational healthcare services to large corporates such as Qinetiq, and has since made two acquisitions in the same sector.

Latest audited results – year to 31 December 2005

	£'000
Turnover	9,990
PBT	762
PAT	582
Net assets	2,302
% of equity held	5%
Basis of valuation:	Multiple of earnings
Website:	www.grosvenorhealth.com

Other funds managed by Close Ventures Limited have invested in this company.

Careforce Group plc
Careforce Group was established in 1999 to build, both organically and through acquisition, a group providing domiciliary care services to the elderly, principally on behalf of local authorities. Careforce currently has 23 branches around the UK. The company floated on AIM in November 2004 and has since made a number of acquisitions.

Latest audited results – year to 31 July 2006

	£'000
Turnover	28,830
PBT	773
PAT	563
Net assets	7,435
% of equity held	4%
Basis of valuation:	Quoted share price (bid)
Website:	www.careforcegroup.co.uk

Other funds managed by Close Ventures Limited have invested in this company.

PORTFOLIO COMPANIES
(continued)

The Rutland Pub Company Limited

The Rutland Pub Company was formed in 2005 to build a high quality group of freehold, managed public houses in the Midlands. Run by a highly experienced pub group operator who has built several successful small groups of pubs and bars, the Rutland Pub Company currently comprises 2 public houses and is seeking further potential sites for acquisition in the region.

Latest audited results	As a newly incorporated company, Rutland Pub Company Limited has not yet filed accounts.
% of equity held	12%
Basis of valuation:	The valuation is based on an independent third party valuation in December 2006.
Website:	www.rutlandpubco.net

Other funds managed by Close Ventures Limited have invested in this company.

REPORT OF THE DIRECTORS AND BUSINESS REVIEW

The Directors submit their Annual Report and audited Financial Statements on the affairs of Close Technology & General VCT PLC (the "Company") for the year ended 31 December 2006.

Business Review

The principal activity of the Company is that of a venture capital trust. It has been approved by H.M. Revenue & Customs as a venture capital trust in accordance with Section 842AA of the Income and Corporation Taxes Act 1988 and in the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 31 December 2006 is subject to review should there be any subsequent enquiry under corporation tax self assessment.

The Company is not a close company for taxation purposes.

The Company is no longer an investment company as defined in Section 266 of the Companies Act 1985. The Company revoked its investment trust status on 21 September 2004 in order for the Company to pay dividends from realised capital profits. The Company is listed on The London Stock Exchange.

Under current tax legislation, shares in the Company provide tax-free capital growth and income distribution, in addition to the income tax relief some investors would have obtained when they invested at the time of the initial fundraising.

The Company's investment strategy is to provide investors with a regular and predictable source of dividend income combined with the prospect of long term capital growth through allowing investors the opportunity to participate in a balanced portfolio of technology and non-technology businesses. The Company has delegated the investment management of the portfolio to Close Ventures Limited, a subsidiary of Close Brothers Group plc, which is authorised and regulated by the Financial Services Authority. Close Ventures Limited also provides company secretarial and other accounting and administrative support to the Company. Further details regarding the terms of engagement of the Manager are shown on page 22.

The Directors do not foresee any major changes in the activity undertaken by the Company in the current year, other than the proposed change in the investment policy as described on page 23, as the Company continues with its objective to invest in unquoted companies throughout the United Kingdom with a view to providing both capital growth and a reliable dividend income to shareholders over the long term.

Details of the principal investments made by the Company are shown in the portfolio of investments on page 9. A detailed review of the Company's business during the year and future prospects is contained in the Chairman's Statement on page 5.

Results and dividends

Ordinary shares	**£'000**
Revenue return for the year ended 31 December 2006 available for distribution	439
Second revenue dividend of 1.5p per share paid on 3 November 2006	(203)
Transferred to revenue reserve	**236**

C shares	**£'000**
Revenue return for the year ended 31 December 2006 available for distribution	663
Revenue dividend of 0.5p per share paid on 3 November 2006	(177)
Transferred to revenue reserve	**486**

In addition, a dividend out of realised capital gains of 4 pence per Ordinary share, totalling £550,000 was paid on 26 May 2006 and an additional 2.5 pence per Ordinary share, totalling £338,000 was paid on 3 November 2006.

As described in the Chairman's statement, the Board has declared a dividend of 4 pence per Ordinary share and 1 pence per C share payable on 25 May 2007 to shareholders on the register as at 4 May 2007.

As shown in the Company's Income Statement on page 31 of the financial statements, the Ordinary shares' investment income has increased to £832,000 (2005: £812,000) and for their first period of trading, the C shares income was £1,322,000. Ordinary shares' revenue return to equity holders has improved to £439,000 (2005: £425,000) and for C shares the revenue return for their first period of trading was £663,000.

The Ordinary shares' capital return for the year was a loss of £240,000, primarily as a result of the capitalisation of management fees during the year (2005: profit £2,136,000). The C shares' capital return for their first period of trading was a loss of £315,000 primarily as a result of the capitalisation of management fees.

The Ordinary share total return per share was 1.4 pence per share (2005: 18.5 pence per share) and the C shares total return per share was 1.2 pence per share.

The Balance Sheet on page 33 of the financial statements shows that the Ordinary shares' net asset value per share has decreased over the last year to 114.4 pence per share (2005: 120.6 pence per share) reflecting the payment of 8 pence per share dividends during the

REPORT OF THE DIRECTORS AND BUSINESS REVIEW
(continued)

period and of the purchase of own shares for cancellation or for Treasury. The C share net asset value per share as at 31 December 2006 was 94.9 pence per share compared to an initial net asset value following the fundraising of 94.5 pence per share, reflecting the investment income earned on the funds raised and increase in unrealised valuations offset by the payment of the dividend and capitalisation of management fees.

Ordinary shares' cashflow for the business has been negative for the year, reflecting the investment in both qualifying and non-qualifying securities, the payment of dividends and the buy-back of shares by the Company. C shares' cashflow has been positive overall as a result of the issue of new shares during the period.

Issue of new shares

During the year the Company issued new C shares in accordance with the Offer for Subscription dated 7 November 2005. The Company made its final allotment of C shares on 3 April 2006 having reached the fully subscribed level.

The C shares were first listed on the London Stock Exchange on 4 January 2006. The assets and liabilities for the C shares will be accounted for separately until the annual general meeting in 2011, when the C shares will be converted into Ordinary shares in accordance with the Articles of Association of the Company. The funds raised by the C shares will be invested in accordance with the investment strategy of the Company. More details regarding the share capital are shown in note 15 to the Annual Report and Financial Statements.

Cancellation of share premium account

At an Extraordinary General Meeting on 8 December 2005, a special resolution was passed authorising the cancellation of the share premium account. This was approved by the High Court of Justice on 28 June 2006 and was registered at Companies House on 30 June 2006. This has enabled the establishment of a special reserve which may be regarded as distributable, out of which the buy-back of the Company's shares can be made in the future. More details are shown in note 16 to the Annual Report and Financial Statements.

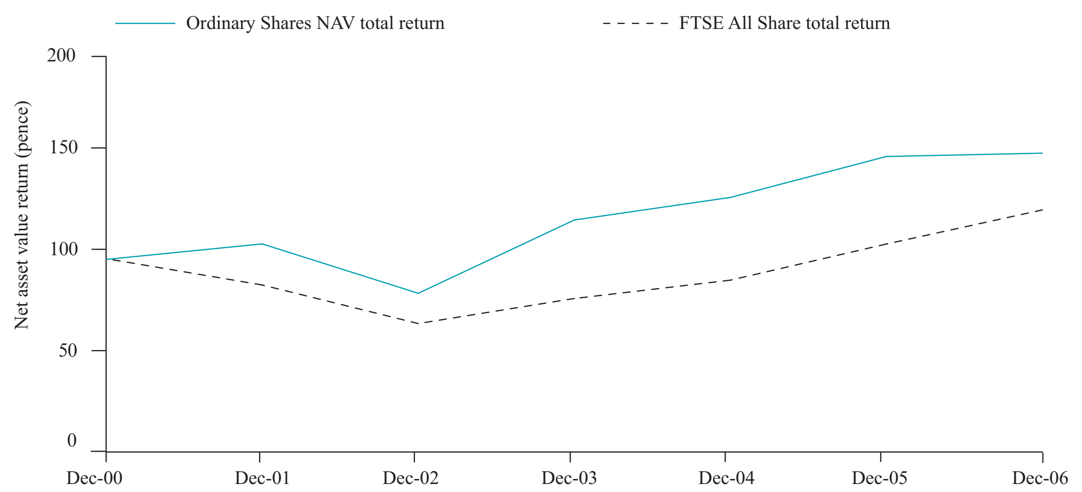
Change of investment policy

At the Annual General Meeting on 19 June 2007, shareholders will be asked to vote upon the replacement of the current investment policy, whereby 15% of the investment portfolio is invested in quoted international technology stocks and 25% in unquoted technology-related companies, by a new policy. Under this new policy, up to 40% of the VCT's portfolio will be invested solely in unquoted UK technology-related companies, with no longer any international quoted element. Details regarding the background to this resolution can be found on page 23.

Key Performance Indicators

The graphs below show Close Technology & General VCT PLC's Ordinary and C shares' net asset values against the FTSE All-Share Index, in both instances with dividends reinvested, for the six years since the launch of the Ordinary Shares and the year since the launch of the C Shares in January 2006.

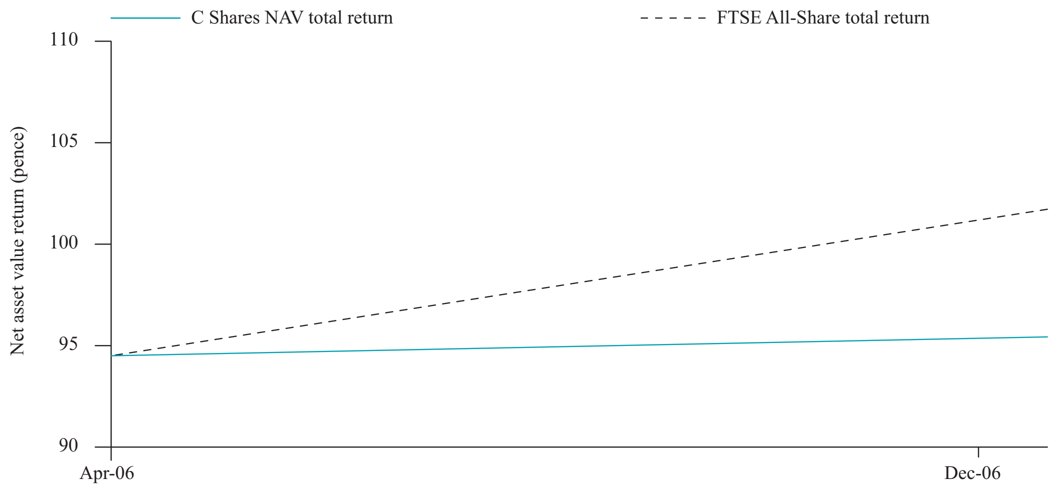
NAV total return relative to FTSE All-Share Index
(in both cases with dividends reinvested)



Source: Close Ventures Limited

REPORT OF THE DIRECTORS AND BUSINESS REVIEW
(continued)

NAV total return relative to FTSE All-Share Index
(in both cases with dividends reinvested)



Source: Close Ventures Limited

The total expense ratio for the Ordinary shares for the year to 31 December 2006 was 3.4% (2005: 3.8%, 3.5% excluding the £53,000 management performance incentive fee). The total expense ratio for the C shares for the year to 31 December 2006 was 3.3%.

The dividend paid during the year to 31 December 2006 was 8 pence per Ordinary share (2005: 9 pence per share) and 0.5 pence per C share.

The Company operates a policy of buying back shares either for cancellation or for holding in Treasury. The Manager has an objective of maintaining the discount of the share price to net asset value at around 10%.

Principal risks and uncertainties
The Board considers that the Company faces the following major risks and uncertainties:

1. Investment risk
   This is the risk of investment in poor quality assets which reduces the capital and income returns to shareholders and negatively impacts on the Company's reputation. By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more fragile than larger, long established businesses.

   To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and their strong track record for investing in this segment of the market. In addition, the Manager operates a formal and structured investment process, which includes an Investment Committee comprising investment professionals from the Manager and senior investment personnel from within the Close Brothers Group. Investments are actively and regularly monitored by the Manager (investment managers normally sit on investee company boards) and the Board receives detailed reports on each investment as part of the Manager's report at quarterly board meetings.

2. Venture Capital Trust approval risk
   The current approval as a venture capital trust allows investors to take advantage of income tax reliefs on initial investment and ongoing tax free capital gains and dividend income. Failure to meet the qualifying requirements could result in investors losing the income tax relief on initial investment and loss of tax relief on any tax free income or capital gains received. In addition, failure to meet the qualifying requirements could result in a loss of listing of the shares.

   To reduce this risk, the Board has appointed the Manager, who has significant experience in venture capital trust management, and is used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed Ernst & Young LLP as its taxation advisors. Ernst & Young LLP report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation.

REPORT OF THE DIRECTORS AND BUSINESS REVIEW
(continued)

Principal risks and uncertainties (continued)

3. Compliance risk

   The Company is listed on The London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act, Accounting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Act or from financial reporting oversight bodies.

   Board members and the Manager have considerable experience of operating at the most senior levels within quoted businesses. In addition, the Board and the Manager receive regular updates on new regulation from its auditors, lawyers and other professional bodies.

4. Internal control risk

   Failures in key controls, within the Board or within the Manager's business, could put assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or to shareholders.

   The Audit Committee meets with the Head of Internal Audit from Close Brothers Group plc at least once a year, receiving a report regarding the last formal internal audit performed on the Manager, and providing the opportunity for the Audit Committee to ask specific and detailed questions. The Manager has a comprehensive business continuity plan in place in the event that operational continuity is threatened. Further details regarding the Board's management and review of the Company's internal controls through the implementation of the Turnbull guidance are detailed on page 27.

   Measures are in place to mitigate information risk in order to ensure the integrity, availability and confidentiality of information used within the business.

5. Reliance upon third parties risk

   The Company is reliant upon the services of Close Ventures Limited for the provision of investment management and administrative functions. There are provisions within the Management Agreement for the change of Manager under certain circumstances (for more detail, see the Management Agreement paragraph on page 22). In addition, the Manager has demonstrated to the Board that there is no undue reliance placed upon any one individual within Close Ventures Limited, or its parent company Close Brothers Group plc.

6. Financial risks

   By its nature, as a venture capital trust, the Company is exposed to market price risk, foreign currency exposure risk, credit risk, liquidity risk and cash flow interest rate risk. The Company's policies for managing these risks and its financial instruments are outlined in full in note 20 to the financial statements.

   The Company is financed through equity and does not have any borrowings.

Environment

The management and administration of Close Technology & General VCT PLC is undertaken by the Manager. Close Ventures Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the Company's impact on the environment include recycling and reducing energy consumption as shown in the financial statements of Close Ventures Limited.

Employees

The Company is managed by Close Ventures Limited and hence has no employees. In the Directors' view, there are no other non-financial performance indicators materially relevant to the business.

Directors

The Directors who held office throughout the year, and their interests in the shares of the Company (together with those of their immediate family) are shown below:

	31 December 2006 Ordinary shares	31 December 2006 C shares	31 December 2005 Ordinary shares
Dr. Neil Cross	100,000	100,000	100,000
Lt. Gen Sir Edmund Burton KBE	27,660	31,050	27,660
Michael Hart	100,000	–	100,000
Patrick Reeve	155,002	200,000	156,100

There have been no changes in the holdings of the Directors between 31 December 2006 and the date of this report.

No Director has a service contract with the Company.

All Directors, except for Patrick Reeve, who is a director of the Manager, are members of the Audit Committee of which Dr. Cross is Chairman.

Directors' retirement and re-election is subject to the Articles of Association and the Combined Code on Corporate Governance.

REPORT OF THE DIRECTORS AND BUSINESS REVIEW
(continued)

Management agreement

The Company and Close Ventures Limited have entered into a Management Agreement dated 14 December 2000, which may be terminated by either party on 12 months' notice. Under this agreement, the Manager also provides secretarial and administrative services to the Company. The Management Agreement is subject to earlier termination in the event of certain breaches or on the insolvency of either party. Under the terms of the Management Agreement, the Manager is paid an annual fee equal to 2.5% (plus any applicable VAT) of the net asset value of the Company. The fee is payable quarterly in arrears.

Under the terms of a supplemental management agreement dated 7 November 2005, the services of the Manager have been extended to the C Share portfolio.

Close Ventures Limited has entered into a sub-agreement with Close Investments Limited in respect of the non-qualifying portfolio of international quoted technology stocks. Close Investments' fee is payable from the fee received by Close Ventures Limited from the Company.

In line with common practice, the Manager is also entitled to an arrangement fee, payable by each investee company, of approximately 2% on each investment made.

The Board believes that the continued appointment of the Manager on its current terms is in the interest of shareholders because of the Manager's specialist knowledge of the venture capital market and in particular the chosen sectors of investment.

Management Performance Incentive

In order to provide the Manager with an incentive to maximise the return to investors, the Company has entered into a management performance incentive arrangement with the Manager. Under the incentive arrangement, if the net asset value per share at the end of a financial period, when added to the aggregate dividends per share (both revenue and capital) paid to that date, exceed £1 as increased at the compound rate of 8% per annum since the Company's commencement of trading, then the Manager will be entitled to an incentive fee equal to 20% of such excess (plus VAT if applicable). In the event that the performance of the Company falls short of the target in any period, such shortfall must be made up in future periods before the Manager is entitled to any incentive in respect of such future periods. The fee if applicable, will be payable annually.

Under the terms of a supplemental management agreement dated 7 November 2005, the compounding provisions relating to the incentive fee payable in respect of the Ordinary shares has been removed, and the agreement has been extended to the C shares.

Auditors

A resolution to re-appoint Deloitte & Touche LLP as auditors will be proposed at the Annual General Meeting on 19 June 2007.

Substantial interests

As at 31 December 2006 and at the date of this report, the Company was not aware of any beneficial interest exceeding 3% of the issued share capital.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have chosen to prepare accounts for the Company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Company law requires the Directors to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the total return for that period and comply with UK GAAP and the Companies Act 1985. 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 all 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 are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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 confirm that applicable accounting standards have been followed in the financial statements accompanying this report.

REPORT OF THE DIRECTORS AND BUSINESS REVIEW
(continued)

In the case of the persons who are Directors of the Company at the date of approval of this report:

- so far as each of the Directors are aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

The Directors are responsible for ensuring that any electronic publication or distribution of financial information properly presents the financial information and any report by us thereon and for the controls over, and security of, the website. The Directors are also responsible for establishing and controlling the process for electronically distributing annual reports and other information.

Supplier payment policy
The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. There were no overdue trade creditors at 31 December 2006 (2005: Nil).

Annual General Meeting
The Annual General Meeting will be held at 10 Crown Place, London EC2A 4FT at 12.00 p.m. on 19 June 2007. The notice of the Annual General Meeting is at the end of this document.

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial advisor authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your Ordinary or C shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting for which shareholder approval is required in order to comply either with the Companies Act or the Listing Rules of the Financial Services Authority.

Proposed change of investment policy
Ordinary resolution number 5 proposes that the current investment policy, whereby 15% of the investment portfolio is invested in quoted international technology stocks and 25% in unquoted technology-related companies, be replaced by a new policy. Under this new policy, up to 40% of the VCT's portfolio will be invested solely in unquoted UK technology-related companies, with no longer any international quoted element.

This proposal follows a review of public equity technology investment and a change of emphasis within Close Investments, the Company's Technology Adviser, away from offering direct technology investment capabilities. This in turn led your Board to undertake a review of the Company's ongoing investment policy.

The reasons for the proposed change are twofold. First, the returns that have been obtained over the years from the unquoted technology investments have been considerably higher than those from the international quoted portfolio. To date the Ordinary share portfolio of unquoted UK technology investments has seen proceeds of £7.9m being realised from the sales of seven investments realising profits of £6m. As at 31 December 2006, the Ordinary share portfolio of international quoted technology stocks amounted to £1,913,000 with unrealised profits of £70,000 and realised profits since launch of £510,000. The quoted technology portfolio of the 'C' shares, meanwhile, amounted to £3,425,000 showing unrealised profits of £147,000 and realised profits of £22,000.

Second, one of the major intended attractions of the existing policy, notwithstanding the disparity of performance to date, was that the quoted portfolio would provide benefits of diversification for the Company. In the event, as Close Ventures' funds under management have continued to grow, so the range and diversity of the company's unquoted investments, both in the non-technology and technology sectors, in neither of which the Technology Adviser has a fund management role, have also grown such that in the Ordinary share portfolio there are now some 37 separate investments of which 16 are in technology companies.

These investments, while being solely UK companies, are nevertheless in a broad variety of sectors, such that the Company is showing a strong degree of diversification, even before allowing for the portfolio of international quoted technology stocks.

Consequently, it is your Board's view that a change of policy, and a withdrawal from investment in international quoted technology investments, would be in the best interest of Shareholders.

Power to allot shares
Ordinary resolution number 6 in the notice of the meeting will request the authority to allot up to a maximum aggregate nominal amount of £676,720, representing 10% of the issued Ordinary share capital of the Company and a maximum aggregate nominal amount of £1,773,956 representing 10% of the issued C share capital of the Company (in each case excluding Treasury shares) as at 17 April 2007. This authority will expire on 19 December 2008. The Directors have no present intention to exercise such authority.

REPORT OF THE DIRECTORS AND BUSINESS REVIEW
(continued)

Disapplication of pre-emption rights

Special resolution number 7 will request the authority to disapply pre-emption rights in circumstances of a rights or other pre-emptive issue, the allotment of Ordinary shares with an aggregate nominal value of up to £339,775, or C shares with an aggregate nominal value of up to £886,978 in each case representing up to 5% of the issued capital.

Purchase of own shares

Special resolution number 8 will request the authority to purchase an aggregate of 14.99% of the Ordinary shares and C shares in issue subject to the provisions shown in the notice to the meeting attached to the back of the financial statements. Shares bought back under this authority may be cancelled or held in Treasury (subject to a maximum level of 10%).

The Board believes that it is helpful for the Company to continue to have the flexibility to buy its own shares and this resolution seeks authority from shareholders to do so.

This resolution would renew the 2006 authority, which was in similar terms. During the financial year under review the Company purchased 224,535 of its Ordinary shares for cancellation. It also purchased 56,611 of its Ordinary shares which are held in Treasury. The Company holds 56,611 shares in Treasury, representing 0.4% of the Ordinary shares in issue (excluding Treasury shares) as at 19 April 2007. The Company holds no C shares in Treasury.

The minimum repurchase price will be the nominal value of the shares from time to time and, in accordance with the Listing Rules, the maximum repurchase price will be the higher of: (a) 105% of the average of the middle market quotations for a 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 share is purchased; and (b) the higher of the price of the last independent trade in the shares and the highest then current independent bid for the shares on the London Stock Exchange. The Board will only authorise repurchases at prices representing a discount to the NAV per share which would have the effect of enhancing the NAV per share for remaining holders.

Treasury shares

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, shares purchased by the Company out of distributable profits can be held as Treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 8 is intended to apply equally to shares to be held by the Company as Treasury shares in accordance with the Regulations.

At the Annual General Meeting, resolutions as described above will be proposed that the Directors will be authorised to allot relevant securities in accordance with section 80 of the Companies Act 1985 (the “Act”) and to empower to allot equity securities for cash in accordance with section 95 of the Act. Again, these replace existing authorities and powers which allow the Directors to sell Treasury shares at a price not less than that at which they were purchased.

The Board considers that the resolutions relating to the above items of special business are in the best interests of shareholders as a whole. Accordingly the Board unanimously recommends to shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Close Ventures Limited
Company Secretary

10 Crown Place
London EC2A 4FT

20 April 2007

STATEMENT OF CORPORATE GOVERNANCE

Background

The Financial Services Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code issued by the Financial Reporting Council ("FRC") in July 2003 ("the Code").

Application of the Principles of the Code

The Board attaches importance to matters set out in the Code and applies its principles. However, as a venture capital trust company, most of the Company's day-to-day responsibilities are delegated to third parties and the Directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company.

Board of Directors

The Board consists solely of non-executive directors. Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive Officer.

Dr. Cross is the Chairman and Senior Independent Director. Messrs Burton and Hart are also considered independent Directors. Patrick Reeve is not considered an independent Director as he is the Managing Director of Close Ventures Limited, the Manager. The Directors have a range of business and financial skills which are extremely relevant to the Company; these are described in the Board of Directors section of this Report, on page •. Directors are provided with key information on the Company's activities, including regulatory and statutory requirements, and internal controls, by the Manager. The Board has direct access to secretarial advice and compliance services by the Manager, who is responsible for ensuring that Board procedures are followed and applicable procedures complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the Combined Code, the Company has in place Directors' & Officers' Liability Insurance.

The Board met four times during 2006 as part of its regular programme of Board meetings. All of the Directors attended each meeting. In addition, there were five Board meetings to deal with the allotment of C Shares. Dr. Cross and Patrick Reeve attended all five meetings; Messrs Burton and Hart attended one of these meetings. The Chairman ensures that all Directors receive in a timely manner all relevant management, regulatory and financial information. The Board receives and considers reports regularly from the Manager and other key advisers and ad hoc reports and information are supplied to the Board as required. The Board has a formal schedule of matters reserved for it and the agreement between the Company and its Manager sets out the matters over which the Manager has authority and limits beyond which Board approval must be sought.

The Manager has authority over the management of the investment portfolio, the organisation of custodial services, accounting, secretarial and administrative services. The main issues reserved for the Board include:

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;
- application of the principles of the Combined Code, corporate governance and internal control;
- review of sub-committee recommendations;
- approval of the appropriate dividend to be paid to shareholders;
- the appointment, evaluation, removal and remuneration of the Manager;
- the performance of the Company, including monitoring of the discount of the net asset value and the share price; and
- monitoring shareholder profile and considering shareholder communications.

Directors' performance evaluation

Performance of the Board and the Directors is assessed on the following:

- attendance at Board and Committee meetings; and
- the contribution made by individual Directors at, and outside of, Board and Committee meetings.

Performance evaluation is conducted by the Board as a peer group and is monitored on a continuous ongoing basis.

The Board believes that it has the right balance of independence, skills, experience and knowledge for the effective governance of the Company.

The Director who will retire and be subject to re-election at the Annual General Meeting is Patrick Reeve. As a result of the process of performance evaluation, he is considered to be effective and demonstrates strong commitment to the role; on this basis, the Directors (excluding Patrick Reeve) believe it to be in the best interest of the Company to re-appoint him at the forthcoming Annual General Meeting.

STATEMENT OF CORPORATE GOVERNANCE
(continued)

Remuneration committee
Since the Company has no executive directors, the detailed Directors' Remuneration disclosure requirements set out in Listing Rules 12.43A (a), 12.43A (b) and 12.43A (c) as they relate to Combined Code Provisions B.1 to B.2, B1.1 to B1.6, and B2.1 to B2.4 are not relevant.

Audit Committee
The Audit Committee consists of all Directors excluding Patrick Reeve. Dr. Cross is Chairman of the Audit Committee. In accordance with the Code, the members of the Audit Committee have recent and relevant financial experience. The Committee met twice during the year ended 31 December 2006; all members attended the meetings.

Written terms of reference have been constituted for the Audit Committee, these are as follows:

- providing an overview of the Company's accounting policies and financial reporting;
- considering and reviewing the effectiveness of the Company's internal controls and risk management systems;
- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- meeting the Company's external auditors twice yearly, approving their appointment, reappointment, remuneration, terms of engagement and providing an ongoing review of auditor independence and objectivity;
- developing and implementing a policy for the supply of non-audit services by the external auditors;
- meeting with the Head of Internal Audit of Close Brothers Group plc when appropriate;
- ensuring that all Directors of the Company, and staff of the Manager feel able to raise issues of serious concern with the Chairman of the Audit Committee and that these issues, where raised, are subject to proportionate and independent investigation, and appropriate action;
- reporting to the Board, identifying any matters in respect of which action or improvement is needed and recommending appropriate steps to be taken; and
- undertaking the duties of the Engagement Committee, and therefore reviewing the performance of the Manager and all matters arising under the management agreement.

During the year under review, the Committee discharged the responsibilities described above. Its activities included:

- formally reviewing the final report and accounts, the interim report, and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the Head of Internal Audit of Close Brothers Group plc;
- meeting with the external auditors and reviewing their findings; and
- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board.

Nomination Committee
The Nomination Committee consists of all Directors apart from Patrick Reeve, with Dr. Cross as Chairman. The terms of reference of the Nomination Committee are to evaluate the balance of skills, experience and time commitment of the current Board members and make recommendations to the Board as and when a particular appointment arises. The Nomination Committee did not meet during 2006 and will meet when it is appropriate for it to do so. It is the policy of the Company that all of the Directors are nominated for re-election every three years; the next re-election will be of Patrick Reeve at the forthcoming Annual General Meeting. The terms and conditions of Directors' appointment are available for inspection at annual general meetings.

STATEMENT OF CORPORATE GOVERNANCE
(continued)

Internal Control

In accordance with principle C.2 of the Combined Code, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the Internal Control Guidance for Directors in the Combined Code published in September 1999 (the "Turnbull guidance"). The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system 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 Board's monitoring covers all controls, including financial, operational and compliance controls, and risk management. The Board receives each year from the Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. Steps are, and continue to be taken to embed the system of internal control and risk management into the operations and culture of the Company and its key suppliers, and to deal with areas of improvement which come to the Manager's and the Board's attention.

The Board has also performed a specific assessment for the purpose of this Annual Report. This assessment considers all significant aspects of internal control arising during the year. The Audit Committee assists the Board in discharging its review responsibilities.

As the Board has delegated investment management and administration to Close Ventures Limited, the Board feels that it is not necessary to have its own internal audit function. Instead, the Board has continual access to the internal audit department of Close Brothers Group plc, which undertakes periodic examination of the business processes and controls environment at Close Ventures Limited, and ensures that any recommendations to implement improvements in controls are carried out. The internal audit department of Close Brothers Group plc reports formally to the Board on an annual basis. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

Going concern

After making reasonable enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

Relationships with shareholders

The Company's Annual General Meeting on 19 June 2007 will be used as an opportunity to communicate with private investors. The Board and the Chairman of the Audit Committee will be available to answer questions at the Annual General Meeting. At the Annual General Meeting the level of proxies lodged on each resolution, the balance for and against the resolution, and the number of votes withheld, are announced after the resolution has been voted on by a show of hands.

The Annual General Meeting will also include a presentation from the Manager on the portfolio, and a presentation from an investee company.

Statement of compliance

With the exception of the requirements to have a Remuneration Committee, the Directors consider that the Company has complied throughout the period ended 31 December 2006 with all the relevant provisions set out in Section 1 of the Code, and with the AITC Code of Corporate Governance. The Company continues to comply with the Code as at the date of this report.

DIRECTORS' REMUNERATION REPORT

Introduction

This report is submitted in accordance with Schedule 7a to the Companies Act 1985. The report also meets the relevant rules of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to the Directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting.

Unaudited information

Remuneration Committee

Since the Company consists solely of non-executive Directors, a Remuneration Committee is not considered necessary.

Directors' remuneration policy

The Company's policy is that fees payable to non-executive Directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration, market equivalents are considered in comparison to the overall activities and size of the Company.

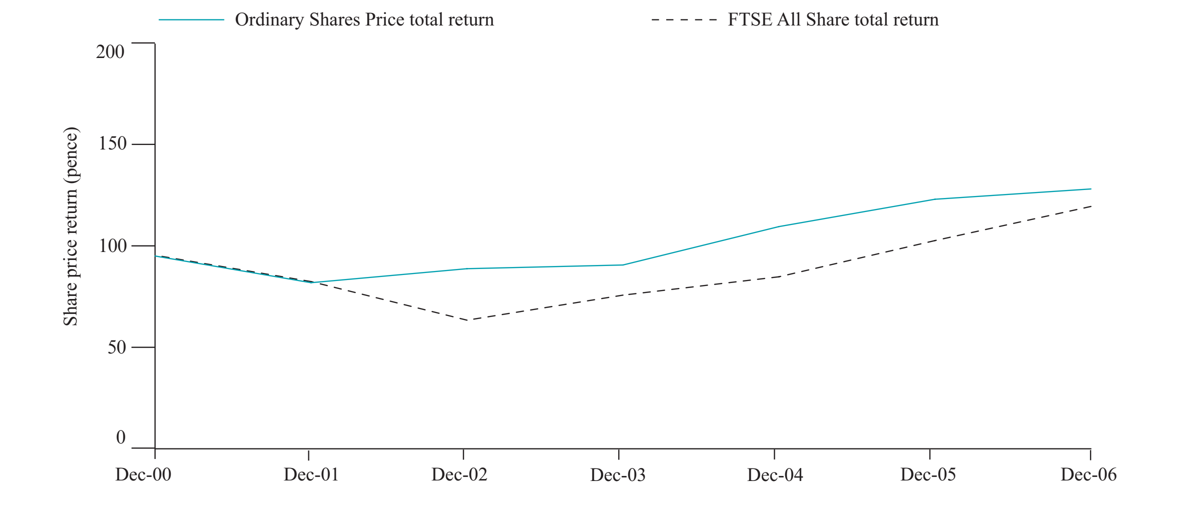
The maximum level of non-executive Directors' remuneration is fixed by the Company's Articles of Association, not to exceed £75,000 per annum; amendment to this is by way of a special resolution subject to ratification by shareholders.

Performance graph

The graphs below show Close Technology & General VCT PLC's Ordinary and C shares' prices against the FTSE All-Share Index, in both instances with dividends reinvested, for the six years since the launch of the Ordinary Shares and the year since the launch of the C Shares in January 2006. The Directors consider this to be the most appropriate benchmark. Investors should however be reminded that shares in VCTs generally trade at a discount to the actual net asset value of the Company.

There are no options, issued or exercisable, in the Company which would distort the graphical representation below.

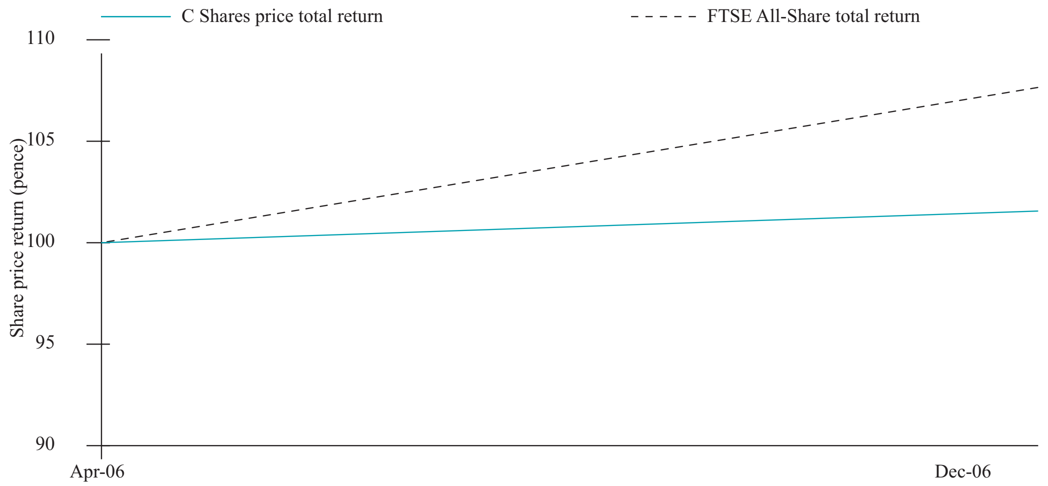
Share Price Return relative to FTSE All-Share Index
(in both cases with dividends reinvested)



Source: Close Ventures Limited

DIRECTORS' REMUNERATION REPORT
(continued)

Share Price Return relative to FTSE All-Share Index
(in both cases with dividends reinvested)



Source: Close Ventures Limited

Service contracts
None of the Directors has a service contract with the Company.

The Company's Articles of Association provide for the resignation and, if approved, re-election of one third of the Directors at each Annual General Meeting. At the forthcoming Annual General Meeting Patrick Reeve will retire by rotation and be proposed for re-election by shareholders.

Audited information

Directors' remuneration
The following items have been audited.

The following table shows an analysis of the remuneration of individual directors.

	Year ended 31 December 2006			Year ended 31 December 2005		
	Fees £	Expenses £	Total £	Fees £	Expenses £	Total £
Dr. Neil Cross	17,500	–	17,500	11,500	–	11,500
Michael Hart	17,500	–	17,500	11,500	–	11,500
Lt. Gen Sir Edmund Burton	17,500	1,438	18,938	11,500	–	11,500
Patrick Reeve	17,500	–	17,500	11,500	–	11,500
	70,000	1,438	71,438	46,000	–	46,000

The Company does not confer any share options, long term incentives or retirement benefits to any Director, nor does it make a contribution to any pension scheme on behalf of the Directors.

Each Director of the Company is remunerated personally, save for Patrick Reeve whose services are provided by Close Ventures Limited.

In addition to Directors' remuneration, the Company pays annual premiums in respect of Directors' & Officers' Liability Insurance.

The Directors' emoluments have increased upon the successful raising of the C Share issue in April 2006.

By Order of the Board

Close Ventures Limited
Company Secretary

10 Crown Place
London EC2A 4FT

20 April 2007

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CLOSE TECHNOLOGY & GENERAL VCT PLC

We have audited the financial statements of Close Technology & General VCT PLC for the year ended 31 December 2006 which comprise the income statement, the balance sheet, the reconciliation of movement in shareholders' funds, the cash flow statement and the related notes 1 to 23. 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 members, 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 members 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 members 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 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. 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 Directors' report 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 2003 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 the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

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.

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 the Company's affairs as at 31 December 2006 and its total 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 Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom — 20 April 2007

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.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

INCOME STATEMENT
for the year ended 31 December 2006

		Ordinary Shares 31 December 2006			C Shares 31 December 2006			Total 31 December 2006		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	3	–	(3)	(3)	–	202	202	–	199	199
Investment income	4	832	–	832	1,322	–	1,322	2,154	–	2,154
Investment management fees	5	(117)	(351)	(468)	(246)	(738)	(984)	(363)	(1,089)	(1,452)
Other expenses	6	(57)	–	(57)	(129)	–	(129)	(186)	–	(186)
Return on ordinary activities before tax		658	(354)	304	947	(536)	411	1,605	(890)	715
Tax (charge)/credit on ordinary activities	8	(219)	114	(105)	(284)	221	(63)	(503)	335	(168)
Return attributable to shareholders		439	(240)	199	663	(315)	348	1,102	(555)	547
Basic and diluted return per share (pence) (excluding treasury shares)	10	3.2	(1.8)	1.4	2.3	(1.1)	1.2	5.5	(2.9)	2.6

The total column of this Income Statement represents the profit and loss account of the Company. The supplementary revenue and capital columns have been prepared in accordance with the Association of Investment Trust Companies' Statement of Recommended Practice.

The accompanying notes on pages 39 to 51 form an integral part of these financial statements.

All of the Company's activities derive from continuing operations.

There are no recognised gains or losses other than the results for the year disclosed above. Accordingly a statement of total recognised gains and losses is not required.

INCOME STATEMENT
for the year ended 31 December 2005

		Ordinary Shares 31 December 2005			C Shares 31 December 2005			Total 31 December 2005		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	2,412	2,412	–	–	–	–	2,412	2,412
Investment income	4	812	–	812	–	–	–	812	–	812
Investment management fees	5	(126)	(381)	(507)	–	–	–	(126)	(381)	(507)
Other expenses	6	(128)	–	(128)	–	–	–	(128)	–	(128)
Return on ordinary activities before tax		558	2,031	2,589	–	–	–	558	2,031	2,589
Tax (charge)/credit on ordinary activities	8	(133)	105	(28)	–	–	–	(133)	105	(28)
Return attributable to shareholders		425	2,136	2,561	–	–	–	425	2,136	2,561
Basic and diluted return per share (pence)	10	3.1	15.4	18.5	–	–	–	3.1	15.4	18.5

The total column of this Income Statement represents the profit and loss account of the Company. The supplementary revenue and capital columns have been prepared in accordance with the Association of Investment Trust Companies' Statement of Recommended Practice.

The accompanying notes on pages 39 to 51 form an integral part of these financial statements.

All of the Company's activities derive from continuing operations.

There are no recognised gains or losses other than the results for the year disclosed above. Accordingly a statement of total recognised gains and losses is not required.

BALANCE SHEET
as at 31 December 2006

	Note	Ordinary Shares 31 December 2006 £'000	C Shares 31 December 2006 £'000	Total 31 December 2006 £'000
Fixed asset investments				
Qualifying		10,965	3,116	14,081
Non–qualifying		2,332	28,430	30,762
Total fixed asset investments	11	13,297	31,546	44,843
Current Assets				
Debtors	13	23	332	355
Cash at bank	18	2,486	2,145	4,631
		2,509	2,477	4,986
Creditors: amounts falling due within one year	14	(321)	(344)	(665)
Net current assets		2,188	2,133	4,321
Total assets less current liabilities		15,485	33,679	49,164
Capital and reserves				
Called up share capital	15	6,795	17,740	24,535
Share premium		165	–	165
Special reserve		5,554	15,768	21,322
Capital redemption reserve		400	–	400
Own Treasury shares reserve		(56)	–	(56)
Realised capital reserve		3,432	(505)	2,927
Unrealised capital reserve		(1,276)	190	(1,086)
Revenue reserve		471	486	957
Total equity shareholders' funds		15,485	33,679	49,164
Net asset value per share (pence) (excluding Treasury shares)	17	114.4	94.9	

The financial statements on pages 31 to 51 were approved by the Board of Directors on 20 April 2007.

Signed on behalf of the Board of Directors

Dr. Neil Cross
Chairman

BALANCE SHEET
as at 31 December 2005

	Note	Ordinary Shares 31 December 2005 £'000	C Shares 31 December 2005 £'000	Total 31 December 2005 £'000
Fixed asset investments				
Qualifying		10,438	–	10,438
Non-qualifying		1,847	–	1,847
Total fixed asset investments	11	12,285	–	12,285
Current Assets				
Debtors	13	45	–	45
Cash at bank	18	4,754	–	4,754
		4,799	–	4,799
Creditors: amounts falling due within one year	14	(420)	–	(420)
Net current assets		4,379	–	4,379
Total assets less current liabilities		16,664	–	16,664
Capital and reserves				
Called up share capital	15	6,908	–	6,908
Share premium		165	–	165
Special reserve		5,785	–	5,785
Capital redemption reserve		287	–	287
Own Treasury shares reserve		–	–	–
Realised capital reserve		4,311	–	4,311
Unrealised capital reserve		(1,027)	–	(1,027)
Revenue reserve		235	–	235
Total equity shareholders' funds		16,664	–	16,664
Net asset value per share (pence)	17	120.6	–	

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
Ordinary Shares for the year ended 31 December 2006

	Called up share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Own Treasury shares £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
As at 1 January 2005	6,958	165	5,894	237	–	2,722	(748)	226	15,454
Net realised gains on investments in the year	–	–	–	–	–	2,694	–	–	2,694
Capitalised investment management and performance fees	–	–	–	–	–	(381)	–	–	(381)
Tax relief on costs charged to capital	–	–	–	–	–	105	–	–	105
Share redemptions	(50)	–	(109)	50	–	–	–	–	(109)
Movement in unrealised depreciation	–	–	–	–	–	–	(279)	–	(279)
Revenue return attributable to shareholders	–	–	–	–	–	–	–	425	425
Dividends	–	–	–	–	–	(829)	–	(416)	(1,245)
As at 31 December 2005	6,908	165	5,785	287	–	4,311	(1,027)	235	16,664
Net realised gains on investments in the year	–	–	–	–	–	246	–	–	246
Capitalised investment management and performance fees	–	–	–	–	–	(351)	–	–	(351)
Tax relief on costs charged to capital	–	–	–	–	–	114	–	–	114
Share redemptions	(113)	–	(231)	113	–	–	–	–	(231)
Purchase of own Treasury shares	–	–	–	–	(56)	–	–	–	(56)
Movement in unrealised depreciation	–	–	–	–	–	–	(249)	–	(249)
Revenue return attributable to shareholders	–	–	–	–	–	–	–	439	439
Dividends	–	–	–	–	–	(888)	–	(203)	(1,091)
As at 31 December 2006	6,795	165	5,554	400	(56)	3,432	(1,276)	471	15,485

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
C Shares for the year ended 31 December 2006

	Called up share capital £'000	Share premium £'000	Special reserve £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 December 2005	–	–	–	–	–	–	–
Net realised gains on investments in the year	–	–	–	12	–	–	12
Capitalised investment management and performance fees	–	–	–	(738)	–	–	(738)
Tax relief on costs charged to capital	–	–	–	221	–	–	221
Issue of share capital	17,740	17,740	–	–	–	–	35,480
Issue costs	–	(1,952)	–	–	–	–	(1,952)
Cancellation of share premium account	–	(15,788)	15,788	–	–	–	–
Cost of cancellation of share premium	–	–	(20)	–	–	–	(20)
Movement in unrealised appreciation	–	–	–	–	190	–	190
Revenue return attributable to shareholders	–	–	–	–	–	663	663
Dividends	–	–	–	–	–	(177)	(177)
As at 31 December 2006	17,740	–	15,768	(505)	190	486	33,679

CASH FLOW STATEMENT
for the year ended 31 December 2006

	Note	Ordinary Shares Year to 31 December 2006 £'000	C Shares Year to 31 December 2006 £'000	Total Year to 31 December 2006 £'000
Operating activities				
Investment income received		621	750	1,371
Deposit interest received		102	314	416
Investment management fees paid		(534)	(735)	(1,269)
Other cash payments		(259)	(109)	(368)
Net cash (outflow)/inflow from operating activities	19	(70)	220	150
Taxation				
UK corporation tax paid		(46)	–	(46)
Capital expenditure and financial investments				
Purchase of investments		(2,073)	(31,594)	(33,667)
Disposals of investments		1,185	297	1,482
Net cash outflow from investing activities		(888)	(31,297)	(32,185)
Equity dividends paid				
Dividends paid on ordinary shares	9	(1,091)	(177)	(1,268)
Net cash outflow before financing		(2,095)	(31,254)	(33,349)
Financing				
Issue of share capital (net of costs)		–	33,513	33,513
Purchase of own shares	15	(287)	–	(287)
Intercompany account movement		114	(114)	–
Net cash (outflow)/inflow from financing		(173)	33,399	33,226
Cash (outflow)/inflow in the year	18	(2,268)	2,145	(123)

CASH FLOW STATEMENT
for the year ended 31 December 2005

	Note	Ordinary Shares Year to 31 December 2005 £'000	C Shares Year to 31 December 2005 £'000	Total Year to 31 December 2005 £'000
Operating activities				
Investment income received		614	–	614
Deposit interest received		112	–	112
Other cash receipt		174	–	174
Investment management fees paid		(389)	–	(389)
Other cash payments		(136)	–	(136)
Net cash inflow from operating activities	19	375	–	375
Taxation				
UK corporation tax paid		(25)	–	(25)
Capital expenditure and financial investments				
Purchase of investments		(4,599)	–	(4,599)
Disposals of investments		5,537	–	5,537
Net cash inflow from investing activities		938	–	938
Equity dividends paid				
Dividends paid on ordinary shares	9	(1,244)	–	(1,244)
Net cash inflow before financing		44	–	44
Financing				
Issue of share capital (net of costs)		–	–	–
Purchase of own shares	15	(109)	–	(109)
Intercompany account movement		–	–	–
Net cash outflow from financing		(109)	–	(109)
Cash outflow in the year	18	(65)	–	(65)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2006

1. Accounting convention

The financial statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, in accordance with applicable United Kingdom law and accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" ("SORP") issued by the Association of Investment Trust Companies ("AITC") in January 2003 and revised in December 2005. Accounting policies have been applied consistently in current and prior periods.

True and fair override

The Company is no longer an investment company within the meaning of s266, of the Companies Act 1985. However, it conducts its affairs as a venture capital trust for taxation purposes under s842AA of the Income and Corporation Taxes Act 1988.

The absence of Section 266 status does not preclude the Company from presenting its accounts in accordance with the AITC's SORP and furthermore the Directors consider it appropriate to continue to present the accounts in accordance with the SORP. Under the SORP, the financial performance of the Company is presented in an Income Statement in which the total column is the profit and loss account of the Company. Since the Company is no longer an investment company, the revenue column excludes certain capital items which the Companies Act 1985 would ordinarily require to be included in the profit and loss account: net profits on disposal of investments, calculated by reference to their previous carrying amount, permanent diminution in value of investments, management expenses charged to capital less tax relief thereon and the distribution of capital profits.

In the opinion of the Directors the presentation adopted enables the Company to report in a manner consistent with the sector within which it operates. The Directors therefore consider that these departures from the specific provisions of Schedule 4 of the Companies Act relating to the form and content of accounts for companies other than investment companies and these departures from accounting standards are necessary to give a true and fair view. The departures have no effect on the total return or balance sheet.

2. Accounting policies

Investments

In accordance with FRS 26 "Financial Instruments Measurement", equity investments are designated as fair value through profit or loss ("FVTPL"). The total column of the Income Statement represents the Company's profit and loss account. Investments listed on recognised exchanges are valued at the closing bid prices at the end of the accounting period. Unquoted investments' fair value is determined by the Directors in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Fair value movements on equity investments and gains and losses arising on the disposal of investments are reflected in the capital column of the Income Statement in accordance with the AITC SORP.

Unquoted loan stock is classified as loans and receivables in accordance with FRS 26 and carried at amortised cost using the Effective Interest Rate method ("EIR"). Movements in the amortised cost relating to interest income are reflected in the revenue column of the Income Statement and movements in respect of capital provisions are reflected in the capital column of the Income Statement. Loan stock accrued interest is recognised in the Balance Sheet as part of the carrying value of the loans and receivables at the end of each reporting period.

Investments are recognised as financial assets on legal completion of the investment contract and are de-recognised on legal completion of the sale of an investment.

It is not the Company's policy to exercise control or significant influence over investee companies. Therefore in accordance with the exemptions under FRS 9 "Associates and joint ventures", those undertakings in which the Company holds more than 20% of the equity are not regarded as associated undertakings.

Investment income

Dividends receivable on equity investments are taken to revenue on an ex-dividend basis. Fixed returns on debt securities are recognised on a time apportionment basis using an effective interest rate over the life of the financial instrument.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

2. Accounting policies (continued)

Investment management fees and other expenses
All expenses have been accounted for on an accruals basis. Expenses are charged through the revenue account except the following which are charged through the realised capital reserve:

- 75% of management fees and performance fees, net of corporation tax, is allocated to the capital account to the extent that these relate to an enhancement in the value of the investments and in line with the Board's expectation that over the long term 75% of the Company's investment returns will be in the form of capital gains; and
- expenses which are incidental to the purchase or disposal of an investment are charged through the realised capital reserve.

Total expenses including management fees and excluding performance fees will not exceed 3.5% of net asset value at the year end.

Debtors and creditors
- Debtors do not carry any interest and are short term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The Directors consider that the carrying amount of debtors approximates their fair value.
- Creditors are non-interest bearing and are stated at their nominal value. The Directors consider that the carrying amount of creditors approximates their fair value.

Taxation
Taxation is applied on a current basis in accordance with FRS 16 "current tax". Taxation associated with capital expenses is applied in accordance with the SORP. In accordance with FRS 19 "deferred tax", deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. The specific nature of taxation of venture capital trusts means that it is unlikely that any deferred tax will arise. The Directors have considered the requirements of FRS 19 and do not believe that any provision should be made.

Reserves

Realised capital reserves:
The following are disclosed in this reserve:

(i) gains and losses on the realisation of investments;

(ii) expenses, together with the related taxation effect, charged in accordance with the above policies; and

(iii) realised exchange differences of a capital nature.

Unrealised capital reserves:
The following are disclosed to this reserve:

(i) increases and decreases in the valuation of investments held at the period end; and

(ii) unrealised exchange differences of a capital nature.

Special reserve
This reserve is distributable and is primarily used for the cancellation of the Company's share capital.

Capital redemption reserve
This reserve accounts for amounts by which the issued share capital is diminished through the repurchase of the Company's own shares.

Own Treasury shares reserve
This reserve accounts for amounts by which the issued share capital is diminished through the repurchase of the Company's own shares.

The own Treasury shares reserve was created in the year in accordance with section 80 of the Companies Act 1985 (the "Act") as ratified by shareholders at the Annual General Meeting held on 23 May 2006.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

2. Accounting policies (continued)

Dividends

In accordance with FRS 21 "Events after the balance sheet date", dividends declared by the Company are accounted for in the period in which the dividend has been paid or approved by shareholders in an Annual General Meeting.

Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rates as at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

C Shares

Until such time that C shares are converted into Ordinary shares in 2011, all investments and returns attributable to this class of share will be separately identifiable from the existing Ordinary shares. All residual expenses will be allocated on the basis of total funds raised for each class of share.

3. (Losses)/gains on investments

	Year ended 31 December 2006			Year ended 31 December 2005		
	Ordinary Shares £'000	C Shares £'000	Total £'000	Ordinary Shares £'000	C Shares £'000	Total £'000
Realised gains	297	22	319	2,767	–	2,767
Unrealised (losses)/gains	(247)	190	(57)	(279)	–	(279)
Net movement on foreign exchange	(42)	1	(41)	36	–	36
Commission on purchase and disposal	(11)	(11)	(22)	(112)	–	(112)
	(3)	**202**	**199**	**2,412**	**–**	**2,412**

4. Investment income

	Year ended 31 December 2006			Year ended 31 December 2005		
	Ordinary Shares £'000	C Shares £'000	Total £'000	Ordinary Shares £'000	C Shares £'000	Total £'000
Income from shares and securities						
Return on investments	704	115	819	675	–	675
UK dividend income	8	–	8	20	–	20
Management fees	7	–	7	–	–	–
Floating rate note income	–	889	889	–	–	–
Non-qualifying income						
Bank deposit income	105	318	423	109	–	109
Foreign investment income	8	–	8	8	–	8
	832	**1,322**	**2,154**	**812**	**–**	**812**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

5. Investment management fees

	Year ended 31 December 2006			Year ended 31 December 2005		
	Ordinary Shares £'000	C Shares £'000	Total £'000	Ordinary Shares £'000	C Shares £'000	Total £'000
Investment management fee charged to revenue	117	246	363	113	–	113
Investment management fee charged to capital	351	738	1,089	342	–	342
Performance incentive fee charged to revenue	–	–	–	13	–	13
Performance incentive fee charged to capital	–	–	–	39	–	39
	468	**984**	**1,452**	**507**	**–**	**507**

Total management fees for the year ended 31 December 2006 include irrecoverable VAT amounting to approximately £216,000, (2005: £75,000). Further details of the Management Agreement under which the investment management fee is paid are given in the Report of the Directors on page 22.

6. Other expenses

	Year ended 31 December 2006			Year ended 31 December 2005		
	Ordinary Shares £'000	C Shares £'000	Total £'000	Ordinary Shares £'000	C Shares £'000	Total £'000
Directors' fees	23	57	80	51	–	51
Auditors' remuneration – audit fees	6	13	19	19	–	19
Other	28	59	87	58	–	58
	57	**129**	**186**	**128**	**–**	**128**

7. Directors' fees

The amounts paid to Directors during the year are as follows:

	Year ended 31 December 2006			Year ended 31 December 2005		
	Ordinary Shares £'000	C Shares £'000	Total £'000	Ordinary Shares £'000	C Shares £'000	Total £'000
Directors' fees	20	50	70	46	–	46
National Insurance and/or VAT	2	6	8	5	–	5
Expenses	1	1	2	–	–	–
	23	**57**	**80**	**51**	**–**	**51**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

8. Tax (charge)/credit on ordinary activities

Expenses charged relate to travel expenses in furtherance of their duties as Directors. Further information regarding Directors' remuneration can be found on the Directors' Remuneration Report on pages 28 and 29.

Ordinary Shares	Year ended 31 December 2006 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2005 Revenue £'000	Capital £'000	Total £'000
Return before taxation	658	(354)	304	558	2,031	2,589
Tax on profit at the standard rate of 30%	197	(106)	91	167	610	777
Factors affecting the charge						
Non-taxable gains	–	–	–	–	(723)	(723)
Tax attributable to capitalised expenses	114	(114)	–	105	(105)	–
Expenses charged to capital	(114)	114	–	(113)	113	–
Non-taxable income	(5)	–	(5)	(6)	–	(6)
Prior-year adjustment	27	(8)	19	(2)	–	(2)
Marginal relief	–	–	–	(18)	–	(18)
	219	**(114)**	**105**	**133**	**(105)**	**28**

C Shares	31 December 2006 Revenue £'000	Capital £'000	Total £'000	31 December 2005 Revenue £'000	Capital £'000	Total £'000
Return before taxation	947	(536)	411	–	–	–
Tax on profit at the standard rate of 30%	284	(161)	123	–	–	–
Factors affecting the charge						
Non-taxable gains	–	(60)	(60)	–	–	–
Tax attributable to capitalised expenses	221	(221)	–	–	–	–
Expenses charged to capital	(221)	221	–	–	–	–
Non-taxable income	–	–	–	–	–	–
Marginal relief	–	–	–	–	–	–
	284	**(221)**	**63**	**–**	**–**	**–**

The tax charge for the period for the Ordinary shares is higher than the standard rate of corporation tax of 30%, and lower for the C shares. The differences are explained above.

Notes

(i) Venture Capital Trusts are not subject to corporation tax on capital gains.

(ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to expenses by reference to the applicable corporation tax rate of 30% and allocating the relief between revenue and capital in accordance with the SORP.

(iii) No deferred tax asset or liability has arisen in the year.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

9. Dividends

Ordinary shares	Year ended 31 December 2006 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2005 Revenue £'000	Capital £'000	Total £'000
Final Dividend – year ended 31 December 2004 of 1.0p per share	–	–	–	139	–	139
First Interim Dividend – year ended 31 December 2005 of 2.0p (capital) and 2.0p (revenue) per share	–	–	–	276	276	552
Second Interim Dividend – year ended 31 December 2005 of 4.0p (capital) per share	–	–	–	–	553	553
First Dividend of 4.0p (capital) per share paid on 26 May 2006	–	550	550	–	–	–
Second Dividend of 4.0p (1.5p revenue and 2.5p capital) per share paid on 3 November 2006	203	338	541	–	–	–
	203	**888**	**1,091**	**415**	**829**	**1,244**

C shares	Year ended 31 December 2006 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2005 Revenue £'000	Capital £'000	Total £'000
Revenue dividend of 0.5p per share paid on 3 November 2006	177	–	177	–	–	–
	177	**–**	**177**	**–**	**–**	**–**

In addition to the dividends summarised above, the Directors have declared a First Dividend of 4 pence per Ordinary share and 1 pence per C share to be paid on 25 May 2007 to shareholders on the register at 4 May 2007.

10. Basic and diluted return per share

	31 December 2006 Revenue	Capital	Total	31 December 2005 Revenue	Capital	Total
Ordinary shares (pence per share)	3.2	(1.8)	1.4	3.1	15.4	18.5
C shares (pence per share)	2.3	(1.1)	1.2	–	–	–

Ordinary shares

Revenue return per Ordinary share is based upon the net revenue return attributable to shareholders for the year of £439,000 (2005: £425,000) in respect of the weighted average number of shares in issue during the year, being 13,661,733 (2005: 13,846,704).

Capital return per Ordinary share is based upon the net capital loss attributable to shareholders for the year of £240,000 (2005: profit £2,136,000) in respect of the same weighted average number of shares as for the revenue return above.

C shares

Revenue return per C share is based upon the net revenue return attributable to shareholders for the year of £663,000 in respect of the weighted average number of shares in issue during the year, being 28,602,546.

Capital return per C share is based upon the net capital loss attributable to shareholders for the year of £315,000 in respect of the same weighted average number of shares as for the revenue return above.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

11. Fixed asset investments

	31 December 2006 £'000	31 December 2005 £'000
Ordinary Shares		
Qualifying technology investments	2,909	2,350
Qualifying non-technology investments	8,056	8,088
Non-qualifying technology investments	1,913	1,511
Non-qualifying non-technology investments	419	336
	13,297	**12,285**

	Qualifying Technology £'000	Qualifying Non-Technology £'000	Non-qualifying Technology £'000	Non-qualifying non-Technology £'000	Total £'000
Opening book cost	3,187	7,880	1,398	393	12,858
Opening unrealised (loss)/profit	(858)	(227)	113	(57)	(1,029)
Opening accrued amortised loan stock interest	21	435	–	–	456
Opening valuation at 1 January 2006	**2,350**	**8,088**	**1,511**	**336**	**12,285**
Purchases at cost	724	208	933	176	2,041
Reclassification from non-qualifying to qualifying (at cost)	–	120	–	(120)	–
Reclassification from non-qualifying to qualifying (unrealised loss)	–	(28)	–	28	–
Sales proceeds	(543)	–	(642)	–	(1,185)
Realised gain/(loss) for the year	143	–	154	–	297
Movement in loan stock carrying value	41	65	–	–	106
Unrealised profit/(loss) for the year	194	(397)	(43)	(1)	(247)
Closing valuation at 31 December 2006	**2,909**	**8,056**	**1,913**	**419**	**13,297**
Closing book cost	3,511	8,208	1,843	449	14,011
Accrued amortised loan stock interest	62	500	–	–	562
Closing unrealised (loss)/profit	(664)	(652)	70	(30)	(1,276)
Closing valuation at 31 December 2006	**2,909**	**8,056**	**1,913**	**419**	**13,297**

Fixed asset investments held at fair value through the profit or loss account total £6,440,000. Investments held at amortised cost total £6,857,000.

	31 December 2006 £'000	31 December 2005 £'000
C Shares		
Qualifying technology investments	2,225	–
Qualifying non-technology investments	891	–
Non-qualifying technology investments	3,425	–
Non-qualifying non-technology investments	25,005	–
	31,546	**–**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

11. Fixed asset investments (continued)

	Qualifying Technology £'000	Qualifying Non-Technology £'000	Non-qualifying Technology £'000	Non-qualifying non-Technology £'000	Total £'000
Opening book cost	–	–	–	–	–
Opening accrued amortised loan stock interest	–	–	–	–	–
Opening unrealised (loss)/gain	–	–	–	–	–
Opening valuation	–		–	–	–
Net Purchases at cost	2,200	780	3,611	25,010	31,601
Sales proceeds	–	–	(355)	–	(355)
Gross realised gain for the year	–	–	22	–	22
Movement in loan stock carrying value	36	52	–	–	88
Unrealised (loss)/gain for the year	(11)	59	147	(5)	190
Closing valuation	**2,225**	**891**	**3,425**	**25,005**	**31,546**
Closing book cost	2,200	780	3,278	25,010	31,268
Accrued amortised loan stock interest	36	52	–	–	88
Closing unrealised (loss)/gain	(11)	59	147	(5)	190
Closing valuation	**2,225**	**891**	**3,425**	**25,005**	**31,546**

Fixed asset investments held at fair value through the profit or loss account total £30,295,000. Investments held at amortised cost total £1,261,000.

12. Significant interests

The Company has interests of greater than 20% in the nominal value of the allotted shares of any class of shares in the investee companies as at 31 December 2006 as described below:

Company	Country of incorporation	Principal activity	% class and share type	% total voting rights
Xceleron Limited	Great Britain	Bio-analytical services	26% A Ordinary	15.3%
Evolutions Television Limited	Great Britain	Television post production	27% A Ordinary	11.4%
The Q Garden Company Limited	Great Britain	Garden centre operator	67% A Ordinary	33.0%
Consolidated Communications Limited	Great Britain	Public relations agency	50% A Ordinary	11.2%
Peakdale Molecular Limited	Great Britain	Researcher of chemical compounds	26.1% A Ordinary	7.4%
Smiles Pub Company Limited	Great Britain	Owner of Smiles Brewery	22.6% A Ordinary	22.6%
Smiles Brewing Company Limited	Great Britain	Owner of Smiles real ale brand	22.6% A Ordinary	22.6%

As permitted by FRS 9, the investments listed above are held as a part of an investment portfolio and their value to the Company is through their marketable value as part of a portfolio of investments. Therefore these investments are not considered to be associated undertakings.

The Company holds over 3% of one company quoted on AIM, as detailed below. This holding was valued at bid price at the year end, in accordance with note 2.

	% holding	Value
Careforce Group Plc	4.4%	620

NOTES TO THE FINANCIAL STATEMENTS
(continued)

13. Debtors

	31 December 2006			31 December 2005		
	Ordinary Shares £'000	C Shares £'000	Total £'000	Ordinary Shares £'000	C Shares £'000	Total £'000
Prepayments and accrued income	12	176	188	17	–	17
Interclass debtor	–	99	99	–	–	–
Other debtors	11	57	68	28	–	28
	23	**332**	**355**	**45**	**–**	**45**

14. Creditors: amounts falling due within one year

	31 December 2006			31 December 2005		
	Ordinary Shares £'000	C Shares £'000	Total £'000	Ordinary Shares £'000	C Shares £'000	Total £'000
UK corporation tax payable	87	62	149	28	–	28
Interclass creditor	99	–	99	–	–	–
Accruals and deferred income	135	274	409	217	–	217
Other creditors	–	8	8	175	–	175
	321	344	665	420	–	420

15. Called up share capital

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Authorised		
70,000,000 Ordinary shares of 50p each (2005: 70,000,000)	35,000	35,000
40,000,000 C Shares of 50p each (2005: 40,000,000)	20,000	20,000
	55,000	**55,000**
Allotted, called up and fully paid		
13,591,015 Ordinary shares of 50p each (2005: 13,815,550)	6,795	6,908
35,479,122 C shares of 50p each	17,740	–
Total	**24,535**	**6,908**

Date	Number of C Shares	Nominal value £'000
3 January 2006	3,240,195	1,620,097
3 February 2006	3,249,439	1,624,719
3 March 2006	7,883,669	3,941,835
31 March 2006	20,626,697	10,313,349
3 April 2006	479,122	239,561
	35,479,122	17,739,561

NOTES TO THE FINANCIAL STATEMENTS
(continued)

15. Called up share capital (continued)

The Company repurchased for cancellation 224,535 Ordinary Shares during the year (2005: 99,750 shares) at a cost of £231,000 (2005: £109,000). This represented approximately 1.6% of the share capital as at 1 January 2006. The Company also purchased 56,611 Ordinary Shares to be held in treasury at a cost of £56,000 representing 0.4% of the share capital as at 1 January 2006. The shares purchased for cancellation were funded from the Ordinary Shares special reserve and the shares purchased for treasury were funded from the Ordinary Shares own Treasury reserve.

16. Share premium account

On 30 June 2006, the Company registered the Court Order dated 28 June 2006, which cancelled the whole of the C shares' premium account amounting to £15,788,209 as at 28 June 2006. The purpose of the cancellation was to enable the Company to fund purchases of its own C shares and to offset the effects of unrealised losses on future dividends. To that effect, the Company created a special reserve which is considered distributable.

17. Net asset value per share

The net asset values per share at the year end calculated in accordance with the Articles of Association were as follows, based upon the shares in issue, less the Treasury shares, of 13,534,404 Ordinary Shares and 35,479,122 C Shares in issue at 31 December 2006 (2005: 13,815,550 Ordinary Shares).

	31 December 2006		31 December 2005	
	Ordinary shares	C shares	Ordinary shares	C shares
Net asset value per share attributable (pence)	114.4	94.9	120.6	–

18. Analysis of changes in cash during the year

	31 December 2006		31 December 2005	
	Ordinary shares £'000	C shares £'000	Ordinary shares £'000	C shares £'000
Beginning of the year	4,754	–	4,819	–
Net cash (outflow)/inflow	(2,268)	2,145	(65)	–
End of the year	2,486	2,145	4,754	–

19. Reconciliation of net return on ordinary activities before taxation to net cash inflow from operating activities

	Year ended 31 December 2006		Year ended 31 December 2005	
	Ordinary shares £'000	C shares £'000	Ordinary shares £'000	C shares £'000
Return on ordinary activities before taxation	658	947	558	–
Investment management fee charged to capital	(351)	(738)	(381)	–
Movement in accrued amortised loan stock interest	(106)	(88)	–	–
Decrease/(increase) in debtors	32	(180)	(91)	–
(Decrease)/increase in creditors	(303)	279	289	–
Net cash (outflow)/inflow from operating activities	(70)	220	375	–

20. Financial instruments and risk management

The Company's financial assets comprise equity and loan stock investments in unquoted companies, equity in quoted companies, floating rate notes, cash balances and short term debtors which arise from its operations. The main purpose of these financial statements is to generate revenue and capital appreciation for the Company's operations. The Company has no financial liabilities other than short term creditors. The Company does not use any derivatives.

The principal risks arising from the Company's operations are:

- Market and investment price risk (which includes unquoted investments interest rate risk, foreign currency exposure risk and credit risk);
- liquidity risk; and
- cash flow interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

20. Financial instruments and risk management (continued)

The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below:

Market price risk
As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio in unquoted and in quoted investments, details of which are shown on pages 9 to 13. The Manager monitors this risk on an ongoing basis, and the Board reviews these risks on a formal basis when investments are made and at Board meetings.

Foreign currency exposure risk
The Company is exposed to foreign exchange currency risk through its investment in securities listed on overseas stock markets. The Company does not use hedge instruments against foreign currency movements.

The Manager and the Board regularly monitor this risk, wherever possible maintaining cash balances in Sterling, accepting, however, a degree of risk upon the translation of investments.

Unquoted investments interest rate risk
Unquoted investments in loan stock and equity are not subject to price movements as a result of interest rate movements. Floating rate note investments, due to the floating rate nature of these instruments, are not subject to significant price movements as a result of interest rate movements.

Credit risk
The Manager evaluates credit risk on loan stock instruments prior to investment, and as part of its ongoing monitoring of investments. Typically loan stock instruments have a first charge over the assets of the investee company. Floating rate note investments are made in notes issued by banks with a Moody's credit rating of at least 'A'. In this way, the Manager seeks to limit credit risk to the Company.

Investment price risk
As a venture capital trust, it is the Company's specific business to price, evaluate and control the investment risk in its portfolio of unquoted and quoted companies, the results of which are detailed in the Chairman's statement on page 5. To mitigate the investment risk, the strategy of the Company is to invest in a broad spread of industries with approximately two thirds of the unquoted investments comprising debt securities, which, owing to the structure of their yield, have a lower level of price volatility than equity. Details of the industries in which investments have been made are contained in the Portfolio of Investments section on pages 9 to 13.

Liquidity risk
The Company has no committed borrowing facilities as at 31 December 2006 (2005: £nil) and had cash balances of £4,631,000 together with £25,005,000 invested in floating rate notes which are considered to be readily realisable. The main cash outflows are for investments, which are within the control of the Company.

In view of this, the Company is subject to low liquidity risk.

Cash flow interest rate risk
It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a fall of one percentage point in all interest rates would have reduced profits before tax for the year by approximately 7% for the Ordinary shares (2005: 3%) and 22% for the C shares.

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 11% (2005: 11%) for the Ordinary shares and 11% for the C shares. The weighted average period to maturity for the fixed rate assets is approximately three years for the Ordinary shares and approximately four years for the C shares (2005: four years for the Ordinary shares).

Fair values of financial assets and financial liabilities
All the Company's financial assets and liabilities as at 31 December 2006 are stated at fair value as determined by the Directors, with the exceptions of loans and receivables, which are carried at amortised cost, in accordance with FRS 26. In the opinion of the Directors, the amortised cost of loan stock approximates to the fair value of the loan stock. See note 2 of the financial statements for accounting policies. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the fair value of the financial liabilities approximates the book value and all are payable within one year.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

20. Financial instruments and risk management (continued)

The Company's financial assets and liabilities as at 31 December 2006, all denominated in pounds sterling, consist of the following:

Ordinary shares

	31 December 2006				31 December 2005			
	Fixed rate £'000	Floating rate £'000	No interest £'000	Total £'000	Fixed rate £'000	Floating rate £'000	No interest £'000	Total £'000
Sterling	5,159	3,892	4,242	13,293	3,764	5,347	5,710	14,821
US $	–	207	1,218	1,425	–	–	1,355	1,355
Euro	–	44	310	354	–	–	300	300
Norwegian Kroner	–	–	112	112	–	–	96	96
Australian Dollar	–	–	106	106	–	–	57	57
Singaporean Dollar	–	21	34	55	–	–	28	28
Swedish Kroner	–	20	120	140	–	–	–	–
Canadian Dollar	–	–	–	–	–	–	7	7
Total net assets	**5,159**	**4,184**	**6,142**	**15,485**	**3,764**	**5,347**	**7,553**	**16,664**

C shares

	31 December 2006				31 December 2005			
	Fixed rate £'000	Floating rate £'000	No interest £'000	Total £'000	Fixed rate £'000	Floating rate £'000	No interest £'000	Total £'000
Sterling	1,309	25,005	3,676	33,416	–	–	–	–
US $	–	263	2,751	263	–	–	–	–
Euro	–	–	192	–	–	–	–	–
Norwegian Kroner	–	–	232	–	–	–	–	–
Australian Dollar	–	–	–	–	–	–	–	–
Singaporean Dollar	–	–	–	–	–	–	–	–
Swedish Kroner	–	–	251	–	–	–	–	–
Canadian Dollar	–	–	–	–	–	–	–	–
Total net assets	1,309	25,268	7,102	33,679	–	–	–	–

The maturity value of loan stock investments held at amortised cost is as follows:

	Ordinary shares		C shares	
	31 December 2006 £'000	31 December 2005 £'000	31 December 2006 £'000	31 December 2005 £'000
Less than one year	751	1,514	1,261	–
1-2 years	–	35	–	–
2-3 years	1,944	–	–	–
3-5 years	4,162	4,105	–	–
Total	6,857	5,654	1,261	–

	£'000	£'000	£'000	£'000
Less than six months	715	–	–	–

The contractual re-pricing of the Floating Rate Notes held in the portfolio will occur within one year (2005: within one year).

NOTES TO THE FINANCIAL STATEMENTS
(continued)

21. Post balance sheet events

Since 31 December 2006 the Company has completed the following investments:

- Invested a further £295,603 in Grosvenor Health Ltd
- Invested £1,000,000 in Chichester Holdings Limited
- Invested £1,000,000 in Kensington Health Clubs Limited
- Invested £1,000,000 in Premier Leisure Suffolk Limited
- Invested a further £22,727 in Novello Pub Limited
- Invested a further £28,571 in Pelican Inn Limited
- Invested a further £440,000 in The Dunedin Pub Company VCT Limited
- Invested £650,000 in Rostima Limited
- Invested a further £580,000 in The Weybridge Club Limited
- Invested £340,000 in River Bourne Health Club Limited
- Has accepted a Cash Offer for Careforce Group plc from Mears Group plc, which will result in an uplift on cost of £606,000
- Invested in new internationally quoted technology stocks for a total consideration of approximately £602,000
- Disposed of internationally quoted technology stocks for total proceeds of approximately £1,900,000

22. Contingencies, guarantees and financial commitments

The Company did not have any contingencies or guarantees as at 31 December 2006. There is a third party charge of deposit dated 8 September 2006, granted to National Westminster Bank PLC relating to a loan facility advanced by the Bank to an investee company subsequent to 31 December 2006. As at 31 December 2006, the funds held within the specific account were £nil as was the sum owing with regard to this charge. Subsequent to the year end date, an amount of £310,000 was deposited into this account relating to a loan facility advanced by the Bank to an investee company.

23. Related party transactions

The Manager, Close Ventures Limited, is considered to be a related party by virtue of the fact that it is party to a management contract from the Company (details disclosed on page 22 of this report). During the year, services of a total value of £1,452,000 (2005: £455,000) were purchased by the Company from Close Ventures Limited. At the financial year end, the amount due to Close Ventures Limited disclosed as accruals and deferred income was £364,000 (2005: £175,000).

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Close Technology & General VCT PLC will be held at 12.00 p.m. on 19 June 2007 at 10 Crown Place, London EC2A 4FT for the purpose of dealing with the following business, of which items 5 to 8 are special business.

Ordinary Business

1. To receive and adopt the accounts and the reports of the Directors and Auditors for the year ended 31 December 2006.

2. To re-appoint Deloitte & Touche LLP as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.

3. To approve the Directors' remuneration report for the year ended 31 December 2006.

4. To re-elect Patrick Reeve as a Director of the Company.

Special Business

5. To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

That the current investment policy whereby 15 per cent of the investment portfolio is invested in quoted international technology stocks and 25 per cent in unquoted technology-related companies, be replaced by a new policy. Under this new policy, up to 40 per cent of the VCTs' portfolio will be invested solely in unquoted UK technology-related companies, with no longer any international quoted element.

6. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That the Directors be generally and unconditionally authorised in accordance with 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 £676,720 which comprises 10% of the Ordinary Share capital and £1,773,956 which comprises 10% of the C share capital such authority to expire on 19 December 2008, but so that the Company may before the expiry of such period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period, and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority had not expired; and all unexercised authorities previously granted to the Directors to allot relevant securities be, and are hereby, revoked.

7. To consider and, if thought fit, pass the following resolution as a special resolution:

That subject to and conditional on the passing of resolution number 6, the Directors be empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94 (2) to section 94 (3A) of the Act) for cash pursuant to the authority conferred by resolution number 6 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

(a) in connection with an offer of such securities by way of rights issue, open offer or other offer of securities in favour of the holders of Ordinary shares on the register of members at such records date as the Directors shall determine where the equity securities respectively attributable to the interest of the Ordinary shareholder are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them on any such record date, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems

NOTICE OF MEETING
(continued)

arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange by virtue of shares being represented by depository receipts or any other matter whatever; and

(b) otherwise than pursuant to sub-paragraph above up, in respect of the Ordinary shares, to an aggregate nominal amount of £339,775 equal to 5% of the Ordinary Share capital and £886,978 equal to 5% of the C share capital; and shall expire on 19 December 2008, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of the resolution the words "pursuant to the authority conferred by resolution number 6" were omitted.

8. To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of Ordinary Shares of 50p in the capital of the Company ("Shares") provided that:

(a) the maximum aggregate number of Shares authorised to be purchased is 2,037,293 Ordinary shares and 5,318,320 C shares (representing approximately 14.99% of the issued share capital);

(b) the minimum price which may be paid for a Share is 50p;

(c) The maximum price that may be paid on the exercise of this authority will not exceed the higher of (a) 105% of the average of the middle market quotations as derived from the London Stock Exchange Daily Official List for the shares over the five business days immediately preceding the date on which the shares are contracted to be purchased; and (b) the higher of the price of the last independent trade and the highest independent bid on the London Stock Exchange;

(d) this authority expires at the conclusion of the next Annual General Meeting of the Company or eighteen months from the date of the passing of this resolution whichever is earlier; and

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

BY ORDER OF THE BOARD

Close Ventures Limited
Company Secretary

Registered Office
10 Crown Place,
London EC2A 4FT

20 April 2007

NOTICE OF MEETING
(continued)

Notes

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. Such proxy need not be a member of the Company.
2. A form of proxy is enclosed and to be valid must be lodged with the Registrars of the Company not less than forty-eight hours before the time fixed for the meeting.
3. The register of interests of Directors kept by the Company in accordance with Section 325 of the Companies Act 1985 will be open for inspection at the meeting.
4. No Director has a service contract or contract for services with the Company.
5. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 specifies that only those shareholders registered in the register of members of the Company as at 12.00 p.m. on 14 June 2007 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at this meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 12.00 p.m. on 14 June 2007 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
6. Copies of the Company's existing Articles of Association are available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays and public holidays) from the date of this notice until close of business on 14 June 2007 and will also be available for inspection at the place of the meeting for at least 5 minutes before, and during the meeting until the close of, the meeting.

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